



BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

JUNE 1946



"How Many Bank Services Can You Name?" (page 33)

Does the Public Know What the Banks Sell?



Take a Look at Your PHONE BOOK

In the classified section of your 'phone book, you will find one of the important reasons why the Bank and Agent Auto Plan appeals to so many bankers.

Check the number of Fire and Casualty agents right in your own city. And remember, this list is far from complete. You know many of these agents personally. You know, too, that they are trained salesmen, aggressive and on the job. Then, figure out roughly how many automobile buyers these agents will interview this year — buyers that could be directed to your bank for a loan to finance their new car.

Yes — the Bank and Agent Auto Plan offers banks an unusual opportunity. Big banks and little, in small towns and metropolitan centers, have proved its value as a sound profit builder.



The full color 16 mm. sound motion picture, "The Bank and Agent Auto Plan In Action," gives an interesting and graphic explanation of how this new plan works. To arrange for a showing, call your local Aetna representative or write direct to headquarters of this company.



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HARTFORD

CONNECTICUT

Just a Minute



BANKING's Own Quiz

Questions

ON OUR front cover, Charles E. Parziale is interviewing Mrs. May Schoultz, a Buffalo housewife.

At approximately the same time hundreds of other housewives, business men, doctors, lawyers, mechanics, executives, clerks and the other citizens who are found in any good "cross-section" of the American people were being similarly interviewed in Buffalo and Salt Lake City.

The occasion was BANKING's poll on the extent to which the public uses banks and its familiarity with bank services. The pollers were members of the R. L. Polk & Company staff, of which Mr. Parziale is a member.

In the two cities 600 persons in carefully selected classifications were interviewed. They were asked how often they visited a bank; whether they could name five services offered by their local banks; which of 27 listed banking services they used, or knew about and didn't use; where they bought money orders; where they would finance a car, a household appliance, or a home.

Answers

BANKING offered no nylons, butter, white shirts, or New York weekends for the best answers—naturally, it wasn't that kind of a quiz.

The awards, if any, rather go to our
(CONTINUED ON PAGE 3)

BANKING

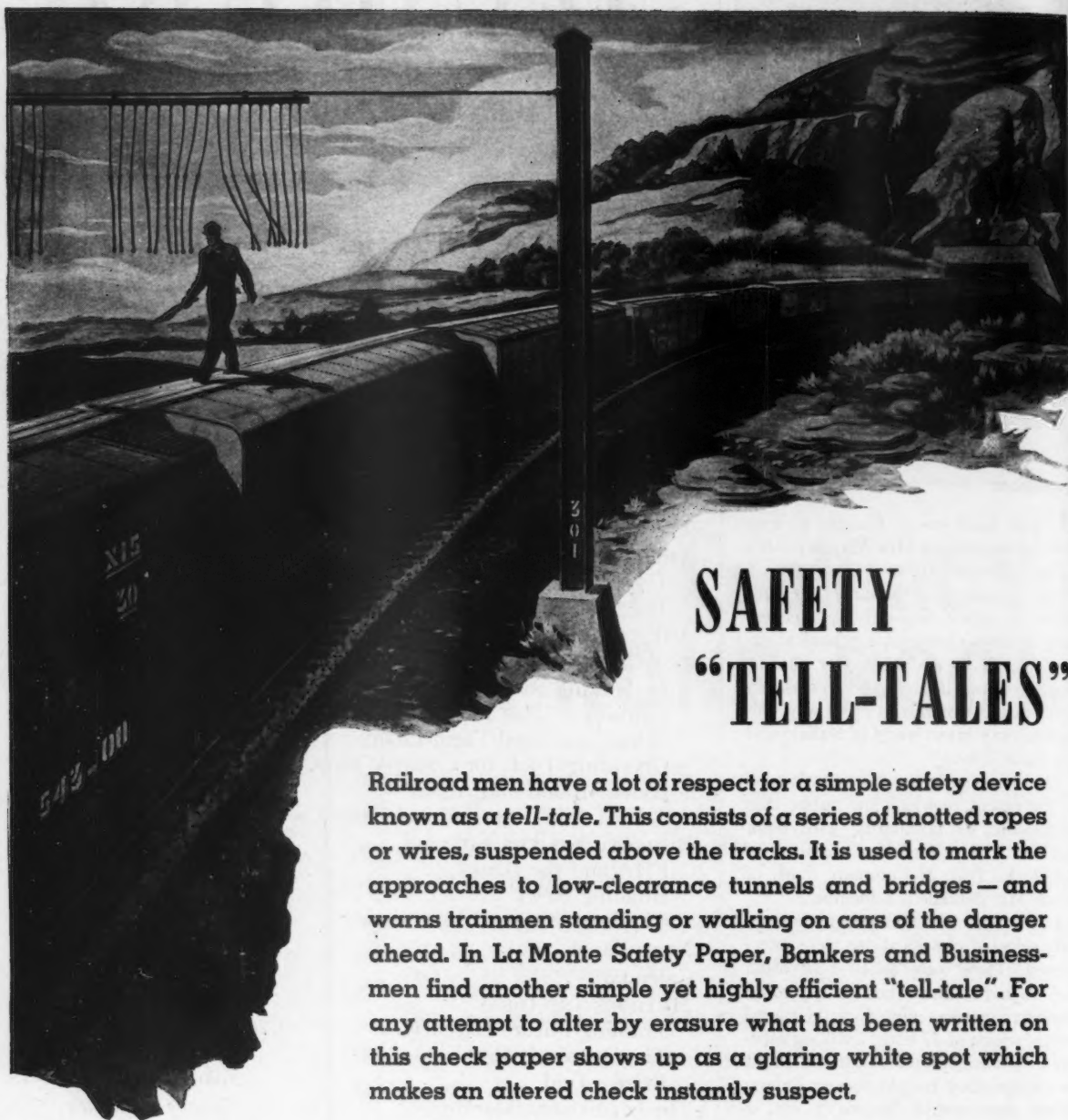
JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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SAFETY “TELL-TALES”

Railroad men have a lot of respect for a simple safety device known as a tell-tale. This consists of a series of knotted ropes or wires, suspended above the tracks. It is used to mark the approaches to low-clearance tunnels and bridges — and warns trainmen standing or walking on cars of the danger ahead. In La Monte Safety Paper, Bankers and Businessmen find another simple yet highly efficient “tell-tale”. For any attempt to alter by erasure what has been written on this check paper shows up as a glaring white spot which makes an altered check instantly suspect.

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We supply many banks and business organizations with their own INDIVIDUALLY IDENTIFIED Safety Paper. The Issuing organization's Trade-Mark is in the paper itself and appears on both the front and back of the check. Such INDIVIDUALIZED paper not only protects against fraudulent alteration but provides maximum protection against counterfeiting — saves Banks sorting time — helps prevent errors.



JUST A MINUTE—Continued

banker readers who study the tabulations which we present in this month's leading article, "Does the Public Know What the Banks Sell?"

Both the askers and the askees in our quiz did their work well, and the tables on pages 34, 35, 100 and 101 are laden with easily digested food whereof you may partake while sitting at your desk or in your living room.

More of the same, though from different cities, will be served in the July issue of the magazine.

Our Basic Asset

AS EVERY farmer knows, rain and sun mix their blessings. They grow his crops and eat away his capital investment by eroding his soil.

The erosion process, we're told this month by ABEL BANOV of the Soil Conservation Service (Let's Bank on the Soil, page 53), is at work in every state, to a greater or less degree. Occasionally this defacement of Mother Earth is startlingly swift, as that day in Texas when a single rainfall washed 63 tons of soil from each measured acre of a cotton field on a 16½ per cent slope. Again, in Wisconsin a farmer lost 26 tons of "dirt" to the acre in one storm.

"The severest loss of soil ever recorded in this country," says Mr. BANOV, "was in a bean-growing district of California in 1934. One bean farm lost 500 tons to the acre—more than three inches of topsoil—in one cloud-burst."

Farmers, of course, are doing something about this enormous waste, and bankers are helping them.

"Urban as well as rural bankers," writes Mr. BANOV, "are giving more than lip service. They are showing the brand of leadership which has always characterized American banking."

There is, obviously, much more to be done on this soil conservation job, and that is the message of the article.

He was the Tenth

WHEN the Bank of Virginia, Richmond, took as a newspaper advertising theme "The Bank Where Nine Out of Ten Get What They Want," it was hardly prepared for the customer who came in and said:

"Is this the bank where nine out of ten get what they want?"

"That's right, sir," the teller replied.

"O.K. I'll take that blonde at the second window from the left."

(At least, that's the bank's story.)

Electrified Housekeeping

THE president of Pacific Gas & Electric Company, JAMES B. BLACK, talks about the potentialities of the electrical age in an interview which we title "Electrified Housekeeping."

Speaking to bankers, Mr. BLACK says: "In financing equipment purchases, I believe the ideal method is for a bank to work out a program with wholesalers who in turn will cooperate with individual dealers. Through this plan, homemakers may completely elec-

"At last I'm president of a bank!"



IS 1946 YOUR YEAR OF DECISION?

This year—1946—is an important one for many American enterprises. To some, it may even be a year of decision. For these, much may depend upon the answer to this question: IS OUR FINANCIAL SITUATION LAID OUT ON A LONG-TERM BASIS?

There is evidence that many companies have acted or plan to settle this question, particularly at this time when money is plentiful and cheap. In the first quarter of 1946 alone the total of common stock financing done—according to the Commercial & Financial Chronicle—was \$151,216,120 (compared with \$18,784,644 for the first quarter of 1945). In addition, there has been heavy financing through preferred stock issues, many of which are convertible into common shares.

Established businesses needing new capital will welcome the experience and service of the firm of Hornblower & Weeks, which, since 1888, has financed many large and important enterprises. An appointment to discuss your situation with a Hornblower & Weeks' Partner can be easily arranged in confidence and without obligation.

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trify their houses at one time, and enjoy the maximum benefits instead of being compelled, for lack of funds, to buy their equipment piecemeal over long periods."

Mr. BLACK gives some figures on the potential market in his company's territory, during the first three postwar years, for such things as radios, washing machines, vacuum cleaners, refrigerators, freezers, ironing machines, home laundry driers, air conditioners and water heaters. Projected on a national basis, the statistics point to an enormous market, a generous proportion of which is expected to come into the banks as consumer credit.

Looking Ahead

BANKS that have an eye on tomorrow's need for executives will be interested in the story of one institution's program for training future administrators.

The National City Bank of New York decided that the war and depression years had limited the opportunities it could offer younger men and that it might find itself facing a shortage of officer material as business requirements opened staff vacancies. It also realized that it had a responsibility to reestablish servicemen in the positions they would have occupied had they not left the bank.

So a survey was made to determine the institution's executive requirements for the next decade, the extent of the material available to fill those needs, and the probable future vacancies for which no men were being trained.

With this information at hand, the bank drafted a program for developing
(CONTINUED ON PAGE 6)

"It may interest you to know that all three of us are with the Department of Internal Revenue!"



BANKING



How to make retail locations more readily *Rentable*



You can build strong tenant-appeal into stores-for-rent by modernizing store fronts and interiors with Pittsburgh Glass and Pittco Store Front Metal.

The shrewd merchants who are your best prospective tenants know the value of an inviting store front—which draws passers-by within selling range — and a smart, modern interior arrangement—which urges lookers to buy.

You can make sure of ample

steady revenue from the retail properties you control by building these desired features into store fronts and interiors with Pittsburgh Glass and Pittco Store Front Metal.

Also of interest to you is the fact that successful merchants who seek loans to finance store remodeling plans are exceptionally good risks. Such modernization programs offer a profitable source of additional business for your bank.

We have recently published a booklet which can be of very practical aid to you when you are considering remodeling plans. It contains data and photographs of actual installations of Pittsburgh Glass and Pittco Store Front Metal. Send the convenient coupon today for your free copy.

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- First bank to assist in financing foreign trade of Canada
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DECODERS AT WORK

Every day, in banks all over the country, certain expert "decoders" are kept busy telling bank clerks that the signature on the check is Sullivan and not Kuttavas, but sometimes even the experts are puzzled and they may have to consult with others before they get the answers.

How much time is wasted? How much do banks pay for the "luxury of illegibility"? How much could be saved if all checks carried the printed names of the makers? Here is an intangible that perhaps cannot be measured in time or money, but nevertheless it is important.

What can be measured in money is the amount banks save when they sell Personalized Checks to their customers instead of giving them, at no cost, the conventional stock checks, passbooks and checkbook covers. The

checks you buy and give away represent an expense item. The Personalized Checks you sell save you money.

The combined advantages of time saved, money saved thru check cost recovery and customer enthusiasm for a high grade product, place De Luxe Personalized Checks in a rather unique position. They deliver more in value than their cost, and that's why they are so popular in banks from coast to coast.

What can we do to help your bank please more customers by selling more Personalized Checks? The price, remember, is just the same \$1.25 for 200, or \$1.00 if ordered in groups of six. Delivery is prompt from any of our five plants. And we supply statement enclosures, lobby signs and other publicity material at no cost to you.

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Manufacturing Plants at:

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JUST A MINUTE—Continued



"What I like about this place is that you never have to worry about having them save you something under the counter!"

potential occupants of administrative chairs. Details are told in "Training Future Executives," by KENNETH W. McLAREN of the A.B.A. staff.

Savings Bonds

WE received a letter from a banker the other day enclosing a clipping from his local paper in which the columnist says:

"Conservative banking opinion is that should the lobby-minded Congress do as the speculators insist, United States Savings Bonds (war bonds) will hardly be worth the dollar purchase-value of the paper on which they are printed; and that P. T. Barnum was correct when he said, 'A sucker is born every minute.'"

The banker says that each time statements of this kind are made about U. S. Savings Bonds there is an increase in redemptions. He also had something to say, in a few well chosen words, about the general quality of columning on business subjects now being offered to the newspapers for public consumption. It is possible to imagine quite a chorus of amens.

"The Habit of Thrift"

In postscript to our banker correspondent's remarks, we might say that a Committee on Treasury Savings Bonds has been appointed by President FRANK C. RATHJE of the American Bankers Association. It will cooperate with the Treasury in distributing the public debt as widely as possible among
(CONTINUED ON PAGE 11)



How the Chase can Expedite Exports

Every day, problems as numerous and as diverse as the ports of call to which American goods are sent confront the American exporter, when shipping on a draft basis. Yet often they *can* be simplified quickly by authoritative answers to such important questions as these:

1. What is the foreign customer's credit standing?
2. What are the import and exchange regulations and the present trade outlook in the country to which we are shipping?
3. When goods are not of American origin, will U. S. dollar exchange be granted by the country to which we plan to ship?

Every day, the Chase National Bank answers such questions from current information supplied by its overseas branches and by its correspondent banks in all commercial centers of the world. In turn, this information is channeled to Chase customers in the United States through a large, experienced Foreign Department.

These facilities are always at the disposal of Chase correspondent banks in the United States and often enable them to broaden their own service to customers.

You are invited to send for our Folder "Import and Exchange Regulations of the Principal Countries of the World."

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

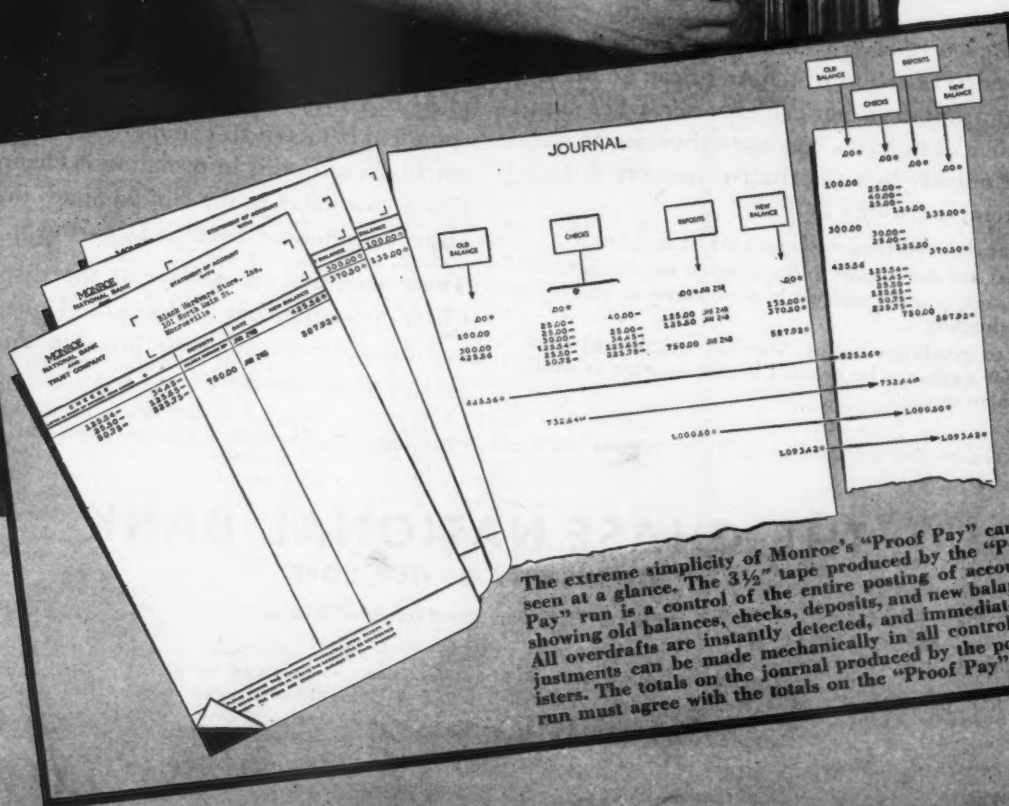
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in On-the-Farm Service*

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Headquarters store at Malvern, Pa.



The Nolan store at Downingtown, Pa.



The Nolan home — Roadside Acres

The story starts at Malvern, Pennsylvania, back in 1928. John Nolan opened shop with two cars of Purina Chows. In those days feed didn't sell itself, and Nolan really rode the roads. He offered a quality product plus plenty of really practical and helpful feeding and management service. By 1941, he had sold a million dollars worth of Purina Chows and grown to three business outlets.

Today the Nolan organization offers a complete line of feed and farm supplies at the three stores. Service still rates high. Mr. Nolan, himself, is out in the field nearly every afternoon — still makes as high as 15 to 20 calls in a full day's field work. His several Feeding Advisory Service employees help him to swell his total of service calls on farmers each month. John Nolan has put Purina's dealer program to best use — and he and his employees have become real Community Builders.

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THE PURINA DEALER IS A GOOD MAN FOR THE RURAL BANKER TO KNOW

There are many more Purina Dealers whose services to their agricultural communities rank high ... and they're good men for rural bankers to know. The Purina Dealer and his organization contact farmers day in and day out ... know their plans, problems and needs. Wouldn't these be good men to help as "outside men" for your bank? Your local Purina Dealer and his employees should know the services that your bank offers to farmers so they can recommend them. Maybe they're doing this incompletely now — but why not give them your whole story and ask for their active and planned cooperation? Working together ... Banker and Purina Dealer ... you can build your agricultural community.

COMMUNITY BUILDERS



JUST A MINUTE—Continued

individuals, thereby combatting inflation and doing a service to savers.

"We want to see the habit of thrift continue to develop, for it is of such great importance to our future economy," said Mr. RATHJE in a letter to Secretary VINSON pledging the Association's aid in the sale of the bonds.

Matthew 18:29

THE note teller of The Easton (Pennsylvania) National Bank telephoned a borrower in regard to a delinquency. Said the borrower: "I refer you to Matthew 18:29." That verse reads: "Have patience with me and I will pay thee all."

We got the story from ROBERT J. LAUB, executive vice-president of the bank.

Words to the Wise

WE WOULDN'T miss in this issue the IRWIN-KIRKPATRICK cartoon story, "What's a Bank Customer?" (page 44).

And we'd take more than a cursory glance at Hilda Hoffman's statistical study of the Bowery Savings Bank's account mortality. (Page 46.)

And we'd read HERBERT BRATTER'S "Foreign Affairs" wherein he reports on the World Bank and Fund meeting at Washington and on financial affairs related to those aids to international economy (page 40).

"If the bookkeeping department of your bank counted like you do, my account would be broke in a week!"



Dick Poyner

June 1946



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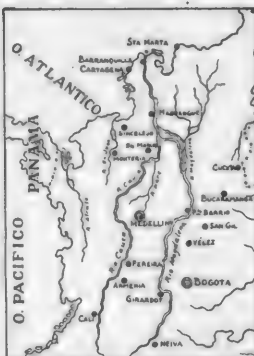
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Gateway to South America and producer of the best coffee in the world.

"Russia's Isolation" by Fred I. Kent is a "must." (Page 42.)

If we wanted an expert opinion on consumer credit trends we'd read Professor A. A. FRIEDRICH's comment (page 49)—and wish he'd written more!

For the Benefit of Humanity

THE Salvation Army calls our attention to its expanded program of aid to mankind, "Marching Forward to a Better World." The nationwide objectives are:

Character-building activities for youth to aid in preventing juvenile delinquency; aid to veterans to cover the human gap between government and other programs; readjustment and emergency aid to Army and Navy personnel and their families; aid to servicemen at home and abroad; extension of services in police courts and prisons; extension of Salvation Army service units to smaller towns and communities in the United States; additional training facilities and advanced courses to provide trained leadership; rehabilitation of Salvation Army work in war-torn countries.

"Now, Junior!"

AN impressionable child recently came into the savings department of the Merchants National Bank of Mobile with his mother immediately after a visit to the cemetery.

Tombstone inscriptions and bronze tablets manifestly had made their impression on his young mind. Pointing at the bronze nameplate on an officer's desk, he loudly asked his mother:

"Mom, is that man dead?"

HOWARD BARNEY, advertising manager of the bank, told us this one.

JOHN L. COOLEY

"I wonder if she is encouraging me. She always endorses checks with her telephone number"



BANKING

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APPRAISAL
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Studies

Fifty Years of Service
1896-1946

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NASHVILLE

CAPITAL FUNDS OVER NINE MILLION DOLLARS
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The bank auto loan ... key to Extra Billions of consumer credit!

For *each* dollar of credit you may extend for new or used car financing under the State Farm Bank Plan, an opportunity exists for adding more than six dollars of *additional* consumer credit.

This is one of the amazing facts brought out in a recent survey, made to determine the buying plans of State Farm Mutual's vast army of policyholders.

Projecting scientific, cross-section survey figures to include all of State Farm's 1,300,000 policyholders, the world's largest automobile insurance company finds that 67% of its policyholders are planning to buy new or used cars, at an estimated value of \$786,500,000.

The bank auto loans that help finance these pur-

chases can reasonably be expected to unlock six times again as much consumer credit. For in addition to their plans for purchasing automobiles, State Farm policyholders are in the market for:

\$2,912,000,000 in new homes.
144,300,000 in home furnishings.
364,000,000 in home remodeling.
975,000,000 in new business enterprises.
78,000,000 for expansion of business.
? ? ? ? for land (indeterminable).

It adds up to more than 5,260,000,000 potential financing dollars. And the key to this great credit opportunity is the State Farm Bank Plan. It will pay you to investigate this plan today!



How your bank can profit! Send today for **FREE** booklets

Here are two booklets *every* banker should have! "New Profit Opportunities for Banks," explains in detail how the State Farm Bank Plan works for you. "The State Farm Group Loan Life Plan—Good Will Insurance for Banks," tells how you can insure consumer loans at low cost. Both of these booklets are *free* for the asking. Simply indicate on this coupon whether you'd like one or both booklets. Then clip it and mail to State Farm Mutual, Bloomington, Illinois. There is no obligation.



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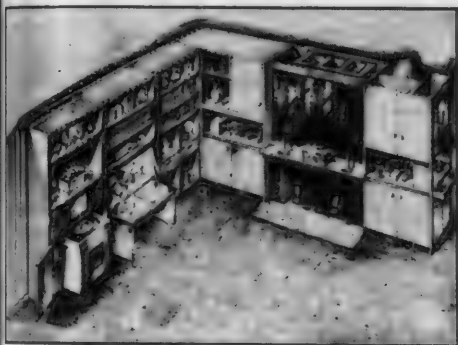
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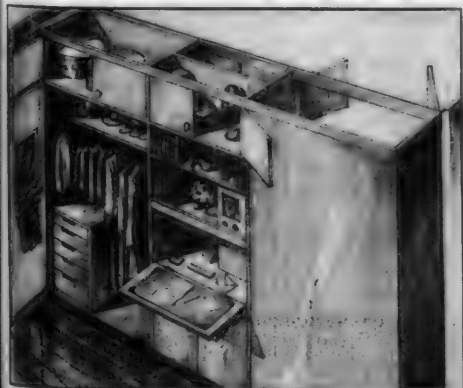


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WASHINGTON



U. V. WILCOX

THE Truman Administration seems to have had no luck at all in choosing any perfectly safe course in its efforts. The nation is still seeking a way into that brave new world. But, the Truman Administration seems to have shown considerable skill in choosing very doubtful courses. In its efforts to avoid politico-economic troubles, it has run hard into a series of explosive difficulties. It has lacked Machiavellian prudence, knowledge and foresight so necessary to appraise fully the troubles incident to this reconversion period. Thus, perhaps, it has had no choice as to the lesser evils? Of course we must allow for the fact that this administration inherited a terrifying mess.

This present inflationary period is a part of the dominant policy of political expediency. As a result it appears that only chance and good luck can pull the economic machine back on the safe course. Or, as the campaign orator might put it, a series of fortuitous circumstances must now intervene, to right the mistakes, blunders and bad guesses of government officials, which were initiated between V-E and V-J days.

Looking at The Record

A look at the record is enlightening: The economic planners in several of the top government agencies thought they knew all the right answers—more than a year ago. Perhaps they had come to believe that they could accurately forecast and correctly plan the national economy. It is probable they had come to believe that they had the gift of prophecy.

During those first weeks following the military defeat of America's enemies, it was announced that there was danger of a sharp slump in national income. There was fear of a depression. There could be millions of men out of work. The number of jobless was vari-

In 1500 A.D.

Said Niccolò Machiavelli nearly 440 years ago:

"Never let any government imagine that it can choose perfectly safe courses; rather let it expect to have to take very doubtful ones, because it is found in ordinary affairs that one never seeks to avoid one trouble without running into another; but prudence consists in knowing how to distinguish the character of troubles; and for choice to take the lesser evil."

ously estimated as between six and ten million men. But, when the great industries had reconverted, there would again come prosperity which would last for from five to ten years.

Meanwhile, if Congress would only pass the job-budget bill, popularly called the Full Employment Bill, that period of prosperity could go on forever. This would end the series of busts and booms which had been the lot of this capitalistic country. Under the job-budget bill, a board of government planners would forecast the future, and with Treasury funds, would smooth out all the hills and valleys with the national economy just one grand sweet song!

Because the government economists foresaw a deflationary period following the ending of the war, Congress was permitted to lower taxes, with no public protest either from the Treasury or the White House. Because it was feared that purchasing power would drop, war-released workers were encouraged to ask for wage and salary increases. From out of the Department of Commerce came startling estimates. These sought to prove that the sparkplug of prosperity, the motor industry, could afford to pay 15 to 25 per cent more wages.

A Shot in The Arm

Using these estimates, initiated by the economists of the Department of Commerce, there came a wave of strikes, all based on the assumptions of the government planners of the economy, i.e., that the economy needed the inflationary shot in the arm. The White House, having no other course left than to support the government economists, gave encouragement to the series of strikes which swept across the nation.

Meanwhile, the price control agency struggled with keeping the consumer rations at prewar levels, while all the time urging increased production. Finally and obviously, it became necessary to recognize that the increased wages which the strikers asked for could not be achieved without accompanying increased prices. There was talk of merely bending the price line. It was denied that the line had been broken!

The inflationary damage had been done. Rivalry among workers' organizations caused a wave of work stoppages with resultant damage to production. Yet American industry, squirming and struggling in the strait jacket of government regulations, achieved amazingly quick conversion from war to peace. Instead of bread lines and unemployment, the demand for workers seemed insatiable. Just before John L. Lewis called his coal strike there were only two million men out of work, with another two million unemployed but not seeking work. It seems worth remembering in the light of the predictions of the government economists, and those who urged the inflationary wage policy, and those who believe in the infallibility of the planning of government economists.

When the Lid Was Lifted

There were many other correlated actions during those determinative months, but the strikes and

blunders made by the economists who had so long assumed their omnipotent rôles, shaped the country's stumbling start and brought about the present condition.

The lid of the Pandora Box was tilted. The stinging, biting and blood-sucking insects of inflation were loose to infest the economy.

Congress is not to be too much blamed in its struggle to right matters. Its members are hearing from voters, some of whom don't like price control and others who believe that only bureaucratic agencies can save the nation from an inflation which is already present, although not the same kind that is so often painted.

Congress seeks to represent all the people and especially those well organized. It, too, struggles and stumbles, seeking the lesser evil of the unhappy choices before it. It dare not go home to begin its campaign for reelection because it does not trust the officials of the agencies that it has created.

The Load of "Needed" Bills

Congress worries over its load of bills all labeled "needed" for the brave new world. Congress spends its days listening to the arguments of reformers on the one side and the representatives of the capitalistic industries on the other.

The members of Congress from the farm districts are distrustful of the advocates of socialistic philosophies which come from the industrial cities. To a very considerable extent, the small cities and the rural districts seek to block proposals having the support of those who contend that more bread and circuses are needed.

Such deep differences are woven all through the troubled patterns of this period.

On the one side are those who would turn the Federal Government into a service forum for political operations. They cry for more benefits. They want socialized medicine and unemployment pay. They favor extensive rationing, so that they will be assured of their share. They believe in the regulated life. Federal bureaucrats would be writing the rules and regulations from the cradle to the grave.

Away from the mass production centers are the remnants of those who still insist that the least governed nation is the best governed. They want less federal jurisdiction in their daily lives. They value their independence in trade, business and financing. The "one world" philosophy is acceptable only in the abstract.

World Trade, Credit Policies

When the Administration offers its program for settlement of the peace between the Allies and the enemy nations, these recalcitrants view foreign policies somewhat suspiciously. Especially are the policies designed to stimulate world trade and credit looked at askance. As a result, the world community idea is not going over very well in Congress.

Isolation, as a political policy, no longer exists, but a close facsimile is to be found in opposition to lending programs to other nations held to be largely bankrupt and controlled by socialistic political philosophies.

Such is the broad picture which the bankers of the nation face. As the custodians of the wealth of the country, they must somehow contrive to lend and conserve, so as to satisfy both the policy officials of the Government and those who want to spend.

At one time it was feared that since the banks had purchased government securities during the war period, and so helped to furnish the funds needed to finance the bitter struggle, they should be penalized by having their bond portfolios "frozen." Their earning reserves were to be restricted under certain favored proposals.

A "report" to Congress by the Federal Reserve Board (which later is to be included in its annual report) will doubtless stimulate further discussions and comment on monetary reforms. However, it is now most unlikely that Congress will have either the time or the inclination to make a study of such far-reaching money matters. One fact

Senator Wagner, chairman of the Senate Banking and Currency Committee, left, reading the testimony of John D. Small, right, Civilian Production Administrator, who urged continuation of price control



HARRIS & EWING

is that the two committees in Congress which would have to support any bill embodying such far-reaching changes in banking, are reluctant to quickly accept Reserve Board suggestions.

"We Told You So!"

It is nevertheless a shrewd political move to present to Congress suggestions for changes in the monetary policies of the American banking system. It makes it possible for the Board to say "we told you so," and "we warned you," if the Treasury falters in its present policy of cutting down the top heavy national debt.

Secretary of the Treasury Vinson is himself a shrewd appraiser of influences dominant in this city. Unlike his predecessor, he has no deep suspicion of bankers as individuals, or their institutions as reservoirs of wealth. Judge Vinson is surrounding himself with men who either instinctively follow his thinking, or have reached, or hold, similar views. His Under-Secretary, O. Max Gardner, former governor of North Carolina, is a good sample. The fact that his former Under-Secretary, D. W. Bell, now president of a large bank in this city, is being called into conference on Treasury financing problems, indicates the present trend in national policy.

Formerly Reserve Board policy was never smoothly coordinated with Treasury policy when Henry Morgenthau, Jr., was Secretary. Now, from Chairman Marriner S. Eccles through the staff, there is a quiet determination to avoid differences between the two great institutions.

Some Banking Problems

On other banking and monetary fronts Washington banking policy is much less exciting than the headlines on the inflationary trends would seem to indicate. Those who would be guided in their planning of the future must watch closely political banking developments. On the continuance of OPA, health programs and social security, propaganda centers operate—to startle and confuse. Banking problems have not yet reached that stage.

Bankers and financial men are always good targets for those who want a more socialistic form of government. Depending upon the degree of inflation the nation encounters, and political shifts, bankers can become targets. Difficulties in operating under the GI Bill of Rights, housing, consumer credit, are borderline to the target areas.

In the long range view are the following:

- (1) The World Bank and the Inter-



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national Monetary Fund are now technically going concerns. Nothing unusual may be expected to come out of initial planning which now concern their staffs. Their personnel selections are important, however, since their thinking will establish precedents for the future. That is possibly more axiomatic in Washington than in any other city in the world.

Foreign Loans by the U.S.A. (2) Foreign lending by government institutions and directly

through the Treasury, is to be settled in broad scope by House action on the Senate-passed British loan bill. Much will depend upon convincing a critical House Banking Committee that such a loan as is proposed is first good for America, however much is said about it being good for Britain.

(3) In government attempts to stimulate more building of houses, the outlook is none too bright. The easy political approach of a subsidy is again to be the sparkplug. On paper, the Housing Expediter makes a good case for his program. But, already, the vast and complicated machinery of enforcement is bogging down with conflicting rules and regulations and policies, the latter never too clearly expounded. This is as much due to the political aspects as to any single cause. Aid for the veteran, who will vote this coming election, is the shadow on the wall when government officials try to interpret priorities and appraise policies. Already sharp differences exist over operations under the GI act conducted by the Veterans Administration, and the pricing division of the Federal Housing Administration, accountable to the Housing Expediter.

(4) Easier lending to spur production is being publicized by the Reconstruction Finance Corporation. New promotional activities for the RFC's participation loan program make it appear that banks are flocking to the lure of easy guarantees, while organized banking, under A.B.A. aegis, continues to fight the guarantee idea. This rather unusual spurt from out of that institution is variously ascribed to political pressures from that congressional bloc which resented the ending of the Smaller War Plants Corporation by merging it with the RFC. Also involved is the change in RFC personnel since Jesse Jones' inflation subsidies.

Agricultural Agency Bills (5) Officials of the American Bankers Association have testified before the Senate Agriculture Committee (CONTINUED ON PAGE 23)



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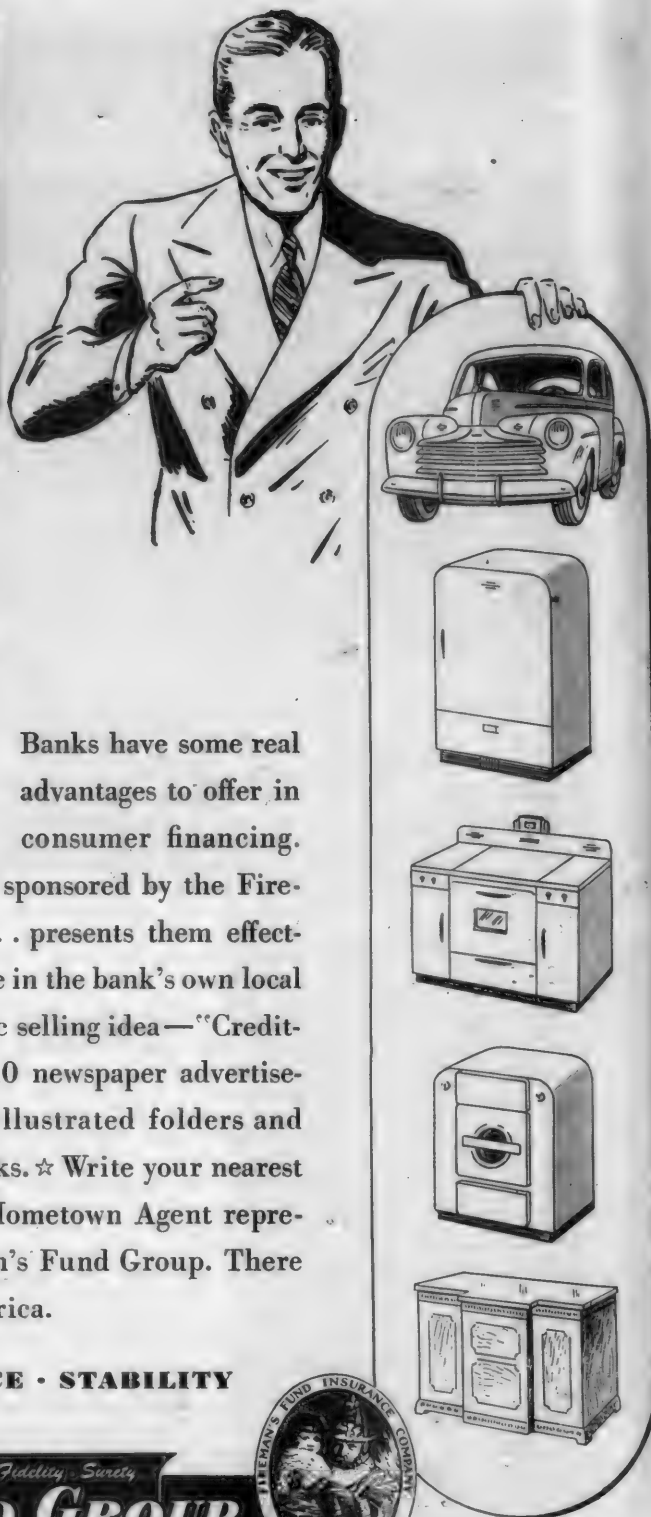
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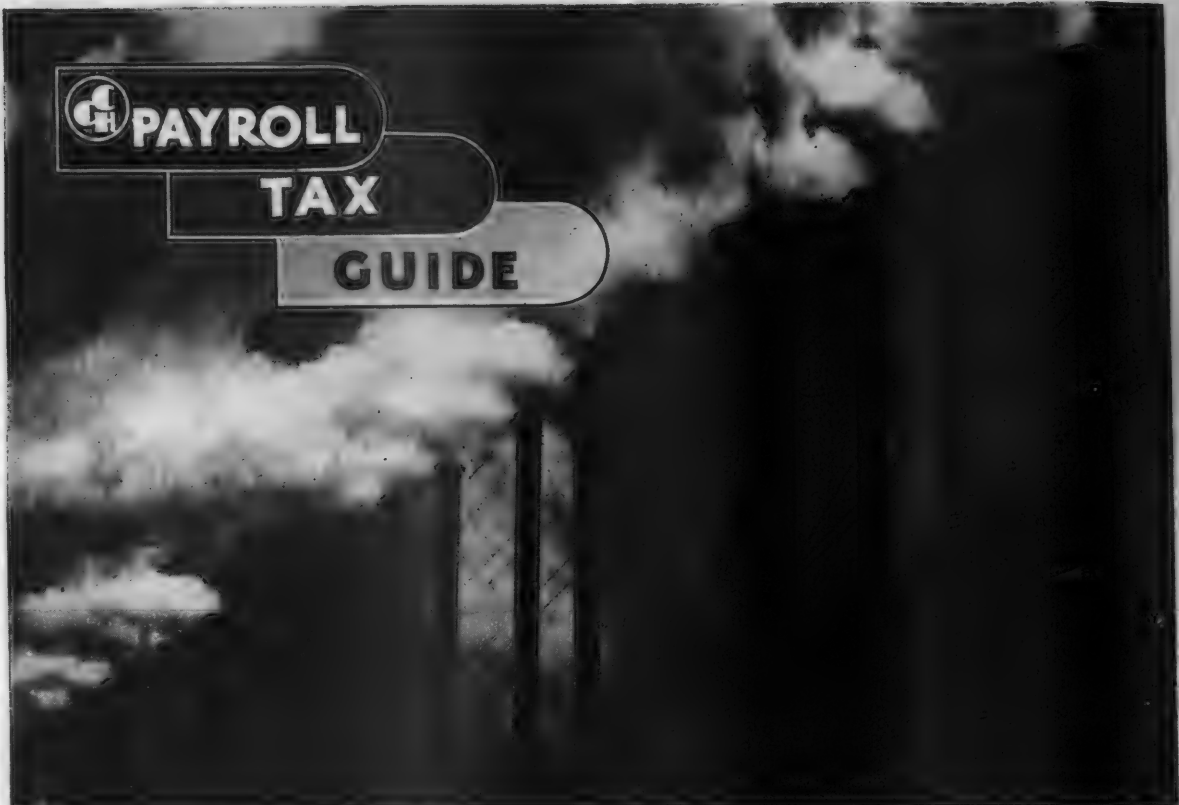
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PAYROLL TAX GUIDE

SPECIFICALLY for the needs of the Payroll Department, the purpose of this new PAYROLL TAX GUIDE is to report on withholding of income and social security taxes under federal and state laws, city income tax withholding, the computation of employer's taxes based on payrolls, and the proper computation of earnings under federal wage-hour controls.

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Instead here is a reporter specifically for those

whose interests are principally in the "accounting" or "bookkeeping" or "reporting and payment" angles of "payroll tax laws," whose problems are procedural and functional rather than legal in nature.

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HARRIS & EWING

John S. Hooker, temporary secretary of the World Bank. (See "Foreign Affairs," page 40)

tee regarding the House-approved bill setting up an agricultural agency. This is the bill by Representative Flannagan of Virginia, which the Department of Agriculture doesn't seem to like. Involved are the Cooley Bill and the Bankhead Bill. The former, also House approved, would try to take the Farm Security Administration farther out of an atmosphere of political lending by the establishment of the Farmers Home Corporation. The latter has been Senate-approved only. Its supporters say that it would make for easier FSA lending. The Senate Agriculture Committee has been heavily propagandized by those who believe in more "soft credit." Also, it has been urged not to take the Farm Credit Administration out from under the Department of Agriculture.

(6) Familiar slogans accompany talk of bills to allow national banks to operate branches and a measure to bring under control bank holding companies. There is the usual division among the bank supervisory agencies as to the need, and the efficiency of the measures. The Federal Reserve Board has supported a bill which would give it sole jurisdiction over bank holding companies. It is long range, it is highly technical, it is explosive in the character and type of its support, and also in the opposition which is now rallying.

Bank Holding Companies

(7) Closely allied to the Reserve Board's proposal to bring bank holding companies under strict supervision is a lawsuit that is winding its way through to the highest courts. This is a test of strength between the Board and Transamerica Corporation. Regardless of the outcome, the testimony

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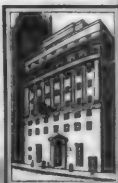
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that has been given and the briefs that have been presented before the District Federal Court, constitute the ammunition likely to be forthcoming, should the bank holding company bill come up for hearings. Such hearings will be sought before the next Congress, it is being predicted.

(8) Larger bank earnings are now more the concern of the three bank supervisory agencies than of the public. This probably would not have been the case, had not the Secretary of the Treasury chosen to ignore comment on the statistical reports issued by the Reserve Board, the Comptroller of the Currency and the FDIC. However, bank earnings, bank capital and lending policies of banks which concern the ratios of one to the other, are the subject of studies which will interest bank management. No early pronouncements are to be expected.

Loans Under Regulation W

(9) The problem of policing operations under the Reserve Board's Regulation W now concerns banks which lend in the industrial field. Non-purpose loans circumvent the regulation and some state laws, to help veterans, make the Board's efforts to control consumer credit much harder to administer. Another factor is the difference of opinion in the retail credit world. One segment rather likes Regulation W, while a lively, publicity-hiring off-shot, wants the regulation eliminated. The latter group is backing bills to bring this about.

(10) Then there is a somewhat old bugbear lumbering over the horizon, where it had supposedly been chased. This is the old problem of par clearance which is in turn a part of the enforcement by the Reserve Board of its Regulation Q.

The Bank of Japan, Tokyo



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A stylized black and white illustration featuring two large interlocking gears in the foreground. In the background, on the left, is a multi-story building with a flag on top. On the right is a factory with smokestacks emitting smoke. The entire scene is set against a background of horizontal lines.

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Never insist on your rights at a traffic intersection. It is possible to be right and dead also.

Almost all businesses have strikes but the Internal Revenue Department.

Famous last words: "Go right ahead, don't let that big truck crowd you off the road."

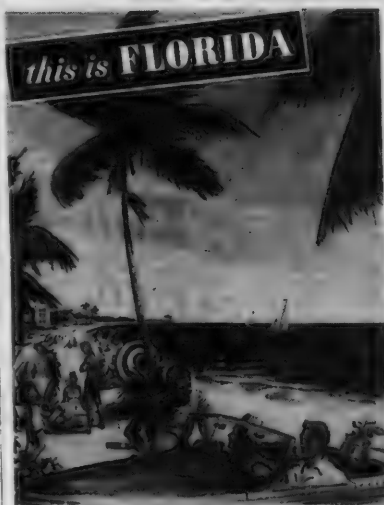
The arguments between nations simply prove that there are more dogs than bones.

If you lend a friend \$10, you lose either a friend or \$10.

The old time dime novel hero used to die with his boots on. The modern pedestrian still does.

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THE SUNSHINE STATE

(From Detroit Free Press
April 7, 1946.)

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BY LEO DONOVAN
Free Press Automotive Writer

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Centrally located industries such as the automotive industry, household utilities, electric and steel industries provide a large share of

the company's orders, Harder explained.

Referring to Detroit's desirable position, he added: "Our analysis of future domestic trends indicates it will remain that way for some time."



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Said the editor of *The American Banker* recently, "The question of adequate bonding and casualty coverage is a subject that ought to be reviewed periodically, and now, as we enter the postwar period of potential large scale bank robberies, employee misfeasance and 'mysterious disappearances,' seems a particularly appropriate time for such a critical review."

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Dealers in United States Govern-
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Securities

Investment Information

Receipt and Delivery of Securities

Safekeeping of Securities

Consultation on Pension and
Profit-Sharing Plans

Co-Paying or Exchange Agent,
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and Co-Depository

Trust and Reserve Accounts

International Trade and Foreign
Banking Facilities



BANKERS TRUST COMPANY

NEW YORK

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

The Chinese Money Puzzle

RANDALL GOULD

The editor of the Shanghai Evening Post and Mercury tells of the Chinese Finance Ministry's measures designed to strengthen the country's economy.

FOLLOWING months of "monetary muddle," banks in China are at last being given government instructions by which they can take a reasonably certain course. Foreign exchange can once more be handled by most of them, including all three of the American banks in China. At the same time the banking rules are under revision and it is expected that within a short time a new set of peacetime regulations will be promulgated in place of the Finance Ministry's wartime emergency period regulations for the control of banks.

Since Japan's surrender there has been wide fluctuation of the Chinese national currency both in purchasing value of commodities within China and in exchange value against American and other currencies. Bankers believe, on a basis of first trial of the latest set of conditions, that this extreme variation may not occur hereafter, although the shortage of commodities is bound to perpetuate some degree of inflation until industries resume and communications improve. In Shanghai the municipal cost of living index for Chinese workers stood at 1,062 (as against a base of one a decade ago) at the beginning of February, and this rose to 1,845 by the beginning of March. Similarly, in foreign exchange open-market transactions the United States dollar was worth 950 Chinese dollars on December 11, 1945, and had climbed to a value of 2,750 Chinese dollars on February 22, 1946.

THE Chinese Government's exchange control plans, announced in general principle on February 25, were put into effect on March 4, with 27 Chinese and foreign banks participating and an initial exchange rate (selling) against the United States dollar of 2,020 to 1. It was announced that this was to be a flexible rate, subject to change under various pressures of the market but also subject to some control through buying or selling from a fund of \$500,000,000 (U. S. currency) set up by the Finance Ministry, and with a permanent rate to be fixed at some appropriate time

later. But during the first few days, at least, there was no important black market deviation from the first official rate which indicated that there was no appreciable pressure upon the Central Bank of China to announce an official change.

Among the 27 banks appointed as subagents of the Central Bank in handling exchange were the Chase National Bank, the National City Bank of New York, and the Underwriters Bank, these being the only American banks in China. Most other foreign banks were also named but there was an important exception in the case of the French banking institutions, regarded by the Chinese Government as having collaborated with the Vichy regime.

ALONG with the foreign exchange control regulations, understood to have been planned in considerable degree by Pei Tsuyee, newly named governor of the Central Bank who was recently in New York City, and Dr. Arthur N. Young, formerly of the U. S. State Department and for years adviser to the Chinese Ministry of Finance, the Chinese Government also issued new import regulations. Together, it was hoped that these measures would break the long period of China trade stagnation

and stimulate both imports and exports. The main deterring factor has proved the present high cost of China's imported goods due to the extreme inflationary condition which makes living in Shanghai more expensive than living in New York City—a drastic reversal of formerly prevailing circumstances.

THE postwar regulations have already been made known and they appear to be workable. It is stated that "no banks shall be established excepting those having already obtained licenses from the Ministry of Finance," but the three American banks now operating, and including all which are likely to wish to operate in any immediate future, have such licenses. Deposit reserves to be placed with the Central Bank are set at 10-20 per cent against current accounts, 7-15 per cent against fixed deposits. Additional to acceptance of deposits, granting of loans, discounting of bills and handling of remittances or commercial credits (any establishment engaging in any of these must be designated as a bank), banks are restricted to purchase and sale of stocks and bonds, undertaking the issue of bonds and company debentures, warehousing, safekeeping of valuables, and acting as receiving or paying agents.

Shanghai's famous Bund is now called Chung Shan Lu



PRESS ASSOCIATION

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...the way he builds

Californians like to use native materials such as redwood and adobe brick when they build. Homes are low-slung, rambling, spacious—to take advantage of natural settings and give expression to the widespread love for outdoor living.



...and the way he banks

Californians, comprising the greatest market in the West, look to Bank of America for their banking services. Through its 493 branches in 307 California communities this bank adds a valuable understanding of local conditions to a stable statewide organization.

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...a fact-based forecast... will help you plan your business if your plans include California. Write Dept. AD, 300 Montgomery St., San Francisco 20, or 660 So. Spring St., Los Angeles 54, for a free copy.

Bank of America, a member of the Federal Reserve System and the Federal Deposit Insurance Corporation, has main offices in the two reserve cities of California—San Francisco and Los Angeles.

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BLUE AND GOLD BANK OF AMERICA TRAVELERS CHEQUES ARE AVAILABLE THROUGH AUTHORIZED BANKS AND AGENCIES EVERYWHERE



AMONG the most laughable situations which arise in banks are those connected with cashing checks and bonds for strangers—especially strangers unaccustomed to identifying themselves.

There was the young lady who handed us her Social Security card—unsigned, as the majority are. It was pointed out that if the card had been signed, the endorsement on her check could have been compared with it and identification pretty well established. Seizing the card, she ran to a desk in the lobby and flourishingly inscribed her signature on it. "There!" she exclaimed, "Now you can see they're just alike!"

During the war, hundreds of young wives came in to cash their allotment checks. Totally unknown, they presented their marriage certificates as the most indisputable identification. Others came in pairs, each prepared to introduce the other, though both were strangers. As one young lady logically said, "This is my mother with me. If she can't identify me, who can?" Who, indeed?

One returned veteran, presenting his mustering-out check, just opened his shirt and there on his chest was tattooed the same serial number that appeared on the check.

Just a few days ago, a couple came in to cash some War Bonds inscribed in their joint names. The husband had all kinds of identification—registration card, driver's license, American Legion membership card, fishing and hunting licenses, all neatly signed. But when he signed the bonds, the signatures did not agree. When this was gently pointed out, he said, "Of course they don't. My wife always signs my name for me on everything because she writes better than I do!" This problem was solved by having him make his "mark" on the bonds, with his wife signing his name and two witnesses certifying. The wife's writing corresponded to the signatures on all the identification cards.

And we still remember fondly the lady who presented her receipt for a fur coat left in storage, as identification, with the remark, "I guess if I have a fur coat I'm good for a \$10 check!"

BELLE S. HAMILTON



Resources...

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This is the era of expanded growth and opportunity. As business presses forward to new achievements, it is the privilege of banks to help speed the pace of progress.

For many years, the Philadelphia National—Pennsylvania's oldest and largest bank—has cooperated with hundreds of banks throughout the country to help commerce and industry take advantage of and widen their opportunities.

We are constantly studying new ways and means to finance and serve business more effectively. With resources of over eight hundred millions we are in a position to extend substantial credit, devoid of unnecessary complications, to speed full production.

We invite inquiries from other banks

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Organized 1803

PHILADELPHIA 1, PA.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



The Lees of Virginia

"STRATFORD HALL", the ancestral plantation home of the Lees of Westmoreland County, Virginia, is one of America's most famous homes and one of the few perfect examples of true Georgian architecture still standing.

So wisely was the house planned that no additions were ever added, and when it was purchased for a shrine by the Robert E. Lee Memorial Foundation in

1929, no rebuilding was necessary and the reconditioning of the main house was comparatively simple. The mansion and grounds were laid out prior to 1730, and took five years to complete. The house was built of brick that had been made by hand on the plantation, and was constructed in the form of an H, the wings of which were topped with twin sets of four great chimneys. The Great Hall on the second floor with its vaulted ceiling and hand carved paneling and pilasters, forms the bar of the H and was the scene of many brilliant gatherings during the Colonial period.

"Stratford Hall" has provided America with some of her most illustrious sons, among whom were Thomas Lee, a governor of Virginia and chiefly responsible for the purchase of the Ohio Valley from the Iroquois; Richard Henry Lee and Francis Lightfoot Lee, both signers of the Declaration of Independence;



Robert E. Lee as a Second Lieutenant

Lighthorse Harry Lee, George Washington's favorite officer, governor of Virginia and father of the beloved Robert E. Lee, the statesman and brilliant cavalryman of the War Between the States whose battle tactics were carefully studied during World War II.

Today, completely restored, the Great House and grounds which are open to the public are a fitting tribute to the Lee family whose sons contributed so much to the founding of this nation.

The Home, through its agents and brokers, is America's leading insurance protector of American Homes and the Homes of American Industry.

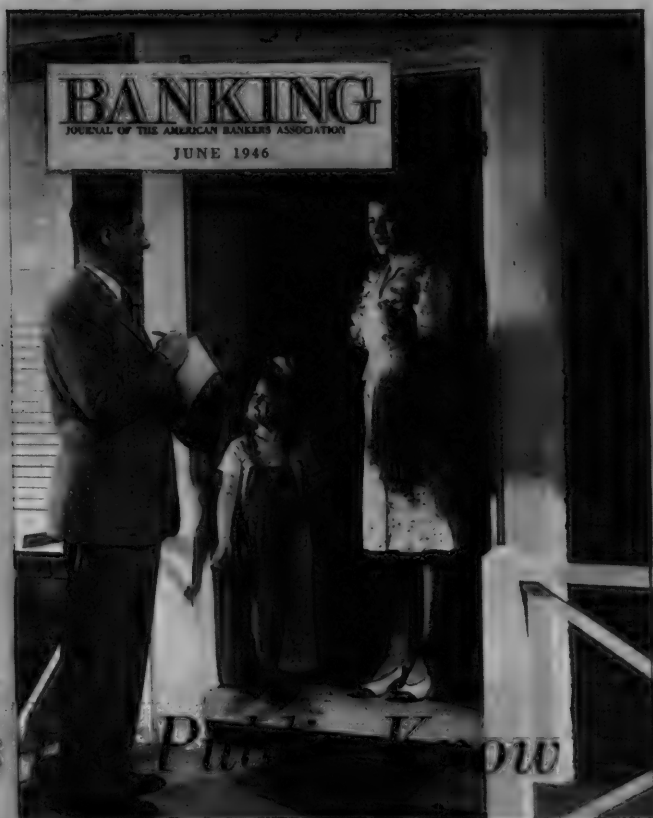


The boxwood garden as seen through the chimney arch

★ THE HOME ★
Insurance Company
NEW YORK

FIRE • AUTOMOBILE • MARINE INSURANCE

BANKING



Does Public Know

WHAT THE BANKS SELL?

BANKING presents in this issue a tabulation of information obtained through personal interviews, aimed to show the extent of bank-use by all classes of people and their familiarity with banking services. Two cities are covered in this survey—Buffalo and Salt Lake City.

Trained interviewers of the Market Research Division of R. L. Polk & Company were provided with a set of questions and were instructed on the method of selecting persons to be interviewed so that they would be sure to get a representative sample of the public.

Those to be interviewed were divided into four classes. Persons in Class A were top executives of leading business concerns, corporation attorneys, public accountants and others in that general category. This group was estimated to be about 5 per cent of all families.

In Class B were included such upper middle brackets as doctors and other professional men, junior executives in large corporations and department managers. It is estimated that this group represents about 20 per cent of all families. The interviews in Classes A and B were made at places of business.

Class C was defined as middle class families in skilled trades and living in good residential districts. This group comprised about 50 per cent of all families.

Class D consisted of laborers and lower paid tradesmen residing in the poorer sections. They were esti-

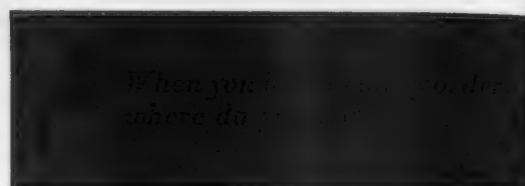
Bank-Use Questionnaire

- (1) How often do you go to a bank?
☐ Daily; ☐ Weekly or semi-weekly; ☐ Twice a month; ☐ Monthly; ☐ Very seldom.
- (2) Can you name five services offered by your local banks?
- (3) Here are 27 banking services—which do you use and which do you know about, but do not use? (Here specific services were suggested.)
- (4) When you buy a money order, where do you go?
☐ Commercial bank; ☐ savings bank; ☐ post office; ☐ some other agency.
- (5) If you wanted to finance an automobile or home appliance, how would you arrange the loan?
☐ Bank; ☐ dealer; ☐ finance company.
- (6) If you were purchasing a home where would you go to get the mortgage loan?
☐ Bank; ☐ real estate dealer; ☐ insurance company; ☐ building or savings & loan association; ☐ mortgage company.

mated to represent about 25 per cent of all families. Interviews in classes C and D were made at home.

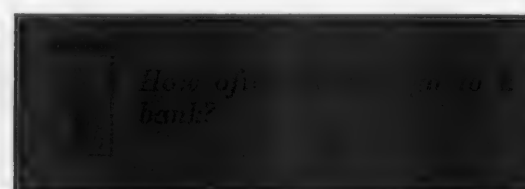
A total of 600 interviews were made which was considered to be sufficient to establish an accurate pattern which would apply to the whole community.

On following pages the figures speak for themselves.



	Class of Population				* City Average
	A	B	C	D	
Bank.....	48%	56%	56%	52%	54.6%
Dealer.....	28	20	16	8	15.4
Finance Company.....	20	24	28	40	29.8
No Answer.....	4	—	—	—	.2

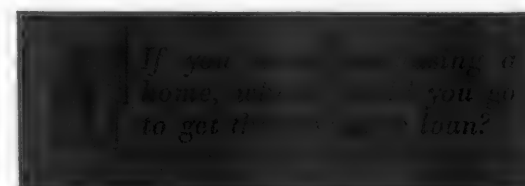
	Class of Population				* City Average
	A	B	C	D	
Commercial Bank.....	36%	32%	—%	20%	13.2%
Savings Bank.....	—	8	4	—	3.6
Post Office.....	52	44	80	60	66.4
Other Agency.....	12	16	16	20	16.8



	Class of Population				* City Average
	A	B	C	D	
Checking Accounts.....	92%	96%	96%	88%	93.8%
Savings Accounts.....	40	48	100	96	85.6
Safe Deposit Boxes.....	20	24	76	84	64.8
Loans.....	56	76	32	60	49
Cashiers Checks, Drafts and Letters of Credit...	40	36	20	36	28.2
Purchasing U. S. War and Savings Bonds.....	4	—	52	44	27.2
Travelers Checks.....	4	4	44	16	27
Cashing of Checks.....	60	48	4	12	17.6
Cashing War Bonds.....	—	—	20	28	17
Investment Securities...	32	36	12	—	14.8
Trust Accounts.....	8	12	12	—	8.4
Mortgage Loans.....	4	8	4	12	6.8
Commercial Loans.....	16	20	—	—	4.8
Financial Advice.....	12	12	—	4	4
Bank Money Orders.....	—	—	—	4	1
Small or Personal Loans..	4	—	—	—	.2
Bulk Storage of Valuables.	4	—	—	—	.2
Miscellaneous Services...	12	36	28	16	25.8

* Arranged in order by frequency of replies for the City Average.

	Class of Population				* City Average
	A	B	C	D	
Daily.....	48%	60%	4%	4%	17.4%
Weekly or Semi-weekly...	24	28	24	20	23
Twice a Month.....	16	4	48	36	34.6
Monthly.....	8	8	16	20	15
Very Seldom.....	4	—	8	20	9.2



* Percentages on all tables on these pages are based on the number of answers received from each class. The percentage for the City Average is the sum of the estimated proportions given all classes.

	Class of Population				* City Average
	A	B	C	D	
Bank.....	64%	56%	52%	68%	57.4%
Real Estate Dealer.....	16	8	—	—	2.4
Insurance Company.....	—	4	—	—	.8
Building or Savings & Loan Association.....	12	20	28	4	19.6
Mortgage Company.....	8	12	20	28	19.8



Buffalo



If you wanted to finance a car or home appliance, how would you arrange the loan?



When you buy a money lender, where do you go?

	Class of Population				*City
	A	B	C	D	Average
Bank.....	91%	65%	48%	38%	50.9 %
Dealer.....	4	3	30	43	26.45
Finance Company.....	4	11	11	14	11.45
No Answer.....	1	21	11	6	11.20

	Class of Population				*City
	A	B	C	D	Average
Commercial Bank.....	31%	9%	3%	26%	10.88%
Savings Bank.....	23	17	20	2	15.12
Post Office.....	42	45	68	32	53.04
Other Agency.....	2	2	5	34	11.44
No Answer.....	2	28	5	6	9.52



Can you name five services of your local banks?



How often do you go to the bank?

	Class of Population				*City
	A	B	C	D	Average
Checking Accounts.....	95%	71%	66%	42%	62.8%
Loans.....	69	46	58	67	58.6%
Cashing of Checks.....	1	40	60	63	53.8
Savings Accounts.....	96	41	27	71	44.4
Mortgage Loans.....	13	42	14	14	19.8
Financial Advice.....	5	8	29	1	16.5
Purchasing U. S. War & Savings Bonds.....	9	14	19	14	16.3
Safe Deposit Boxes.....	38	50	6	1	14.8
Cashiers Checks, Drafts, Letters of Credit.....	1	3	19	11	13.1
Bank Money Orders.....	11	14	8	22	12.9
Cashing War Bonds.....	18	5	5	23	10.1
Investment Securities.....	—	2	18	2	9.9
Travelers Checks.....	13	8	10	2	7.6
Savings Clubs.....	8	—	9	10	7.2
Small or Personal Loans...	4	4	7	3	5.4
Common Trust Funds....	11	6	2	—	2.9
Commercial Loans.....	3	5	—	5	2.3
Trust Accounts.....	4	6	—	3	2.3
Bulk Storage of Valuables.	3	3	2	—	2.
Foreign Exchange.....	1	3	2	—	1.5
GI Loans.....	2	4	—	1	1.1
Modernization Loans.....	1	—	1	—	.4
Life Insurance Loans.....	—	—	1	—	.4
Automobile Loans.....	—	—	—	1	.2
FHA Loans.....	3	—	—	—	.1
Miscellaneous.....	9	20	26	36	26.7

* Arranged in order by frequency of replies for the City Average.

	Class of Population				*City
	A	B	C	D	Average
Daily.....	41%	36%	1%	5%	11 %
Weekly or Semi-weekly....	43	58	27	47	39.25
Twice a Month.....	12	6	26	20	19.5
Monthly.....	3	—	26	16	16.97
Very Seldom.....	1	—	19	12	12.64
No Answer.....	—	—	2	—	.8



If you want to get a mortgage loan, where would you go to get the mortgage loan?

	Class of Population				*City
	A	B	C	D	Average
Bank.....	83%	80%	64%	84%	73.13%
Real Estate Dealer.....	1	—	8	—	4.04
Insurance Company.....	—	—	3	1	1.40
Building or Savings & Loan Association....	15	4	9	10	8.35
Mortgage Company.....	2	10	13	2	8.96
No Answer.....	—	6	4	4	4.12



JOHN L. COOLEY

YOU'D be surprised if the owner of the shoestore down the street came into the bank tomorrow morning and said: "Hi-yah, Doc! My business and I have a pain. Look us over and prescribe!"

You'd be surprised—and then you'd get the idea, and grin, and say:

"O.K., Joe. Sit down. . . . Now stick out your tongue. . . . H'mmm. . . . Pulse, please. . . . H'mm, h'mm. . . . Joe, what

in the world have you and that store been eating?"

And then you'd hand Joe some figurative capsules of good advice and tell him to come back in six months.

Far fetched? Well, maybe not.

The fact of the matter is that many bankers, the country over, have been thinking carefully along just this line. You might call it curative banking, or, going a step further, preventive banking—the kind that forestalls business sickness by periodic checkups and consultations not only when a loan is involved, but when the customer-patient is quite able to move about on his own enterprising feet.

In some banks, this approach to the problems of business—especially small business—has been activated into a program. The work of the Small Business Credit Commission of the American Bankers Association, headed by Robert M. Hanes of Winston-Salem, North Carolina, has helped to direct banks' attention toward far-sighted service for Main Street's free enterprises in the form of friendly help proffered *before* as well as after troubles occur.

Bankers interested in these developments point out that every business has contacts, in one form or another, with the banks. In the customers' daily comings and goings to make deposits, cash checks, arrange and pay off loans, there are opportunities for friendly assistance. When you hail a caller with some such greeting as "How's it going, Fred?" and Fred replies, "Pretty good, I guess. . . . Could be better, though," you do

more than ask a perfunctory, casual question. You open the door to a chance to talk it over with him.

Obviously this very thing does happen innumerable times a day. Could and should there be more such approaches to the problems business men—particularly small business men in these days of veteran rehabilitation—are wrestling with?

There is a boom in the number of new businesses. Roy A. Foulke of Dun & Bradstreet, writing in the February issue of *BANKING*, said we were now in the midst of "the greatest surge of new business enterprises that has ever existed in our economy." The increase in 1945 was 100,000, and the rise is continuing.

This is mostly small business, in which veterans have an increasing part. Mr. Foulke reported that 90.3 per cent of business establishments in the country had tangible net worth of \$20,000 or less, while 83.5 per cent showed \$10,000 or less. Eighty per cent were retailers.

"It is reasonable to assume," continued this authority, "that almost all new enterprises would represent invested funds of \$10,000 or less, and a high percentage would be retail stores."

The less pleasant side of the picture indicates that the average life span of a business in this country is between six and a half and seven years and that of the more than 100,000 new enterprises which will probably be launched this year, *87 per cent will be dead by 1953*. Why? Well, there are several reasons, as every banker knows. One is lack of capital, another is inexperience, another over-extended credit. Also, many beginners suffer from a bad case of "cold feet"; they get frightened and quit.

How can the banker—"Doctor Banker," if you will—be of assistance? He knows, better than anyone else, that the business man's trouble frequently is not a credit problem but a lack of just plain know-how. (And this will no doubt prove to be particularly true during the next year or so as veterans, eager to make their fresh starts as civilians, find that they have undertaken something beyond their management capacities.)

Frequently the banker's opportunity to help goes far beyond what the military citations call "the line of duty." His service is not limited to a firm "No" or to the more amplified, "Sorry, Jim, we can't go along with you on this"; rather, it involves an application of basic *public and human relations principles at the grassroots of business and banking.*

The man—let's say he's a veteran—who's about to start a business or who already has one, frequently needs advice much more than he needs credit. And the banker who, after listening to his not too bankable story, says, "Jim, I have an idea you might do better with a filling station than a shoestore," or "Well, it looks to me, John, as though maybe you need a new accounting system"—that banker is doing a service qualifying him for the degree of DBB—Doctor of Business-Banking.

HOWEVER, the average bank officer is probably not a specialist in this rather alluring field of economic therapeutics. Rather, he's a general practitioner. In many cases, his long experience with men and their business affairs enables him to make an accurate diagnosis of the customer-patient's ailment; but he is not equipped to apply the treatment. That is often the job of the specialist, and the local banker will suggest that the sufferer go for further help to, say, an expert on merchandising or management, a competent advertising man, a good CPA. How many business ills could be relieved or dissolved by prompt and skillful treatment that stems from the desk of the local banker?

That piece of furniture, whether it be the traditional mahogany of the "big city" banker or his rural brother's homely roll top, and the chair that goes with it, are in effect the essential pieces of laboratory equipment for the informal consultations that can and do help keep down business mortality in this country.

But another facility is at hand for the use of the local banker-practitioner.

Our correspondent banking system, which works so effectively in meeting the needs of business, is almost limitlessly equipped with specialists who are expert diagnosticians and therapists. Thus the case that stumps the banker at Cornerville can be passed along to the proper authority in the bigger bank in the city—and the entire relationship between business and the banking system has been strengthened. Public as well as customer relations is served.

SOME bankers, in fact, hold that the public relations value of preventive or curative banking is its most important aspect. A customer who is *kept* well by timely consultation and advice is usually a much happier man than he who is *made* well, often at a cost of unpleasant scars.

Ramifications of the idea are extensive. A number of banks have instituted "clinics" for their correspondents, bringing in bankers from "the country" for discussions and explanations of current problems such as consumer credit, investments, insurance, taxation. Business men are sometimes invited to these conferences, the benefits of which can well extend far beyond the immediate gain to the bank from contacts thus established and strengthened.

In some banks, recently organized small business departments are finding daily opportunities to give advice as well as to lend money; and business development staffs are in a position to do likewise. Some of them, indeed, are doing so.

The "Doctor Banker" approach can frequently help a number of "patients" simultaneously, as in this true story which was turned up the other day in the course of a conversation with a New York bank man.

"We recently got a call," he said, "from a good friend of ours, a big manufacturer, who had lost an important customer in another city. The company hadn't been able to find out the reason, and naturally it wanted to know.

"So our friend asked if we could help. Well, we telephoned a bank in the ex-customer's town and asked whether it knew this man. Sure enough, it did. Then we wondered whether the bank would be willing to find out why our man's business had been lost. Yes, it would try.

"In a few days we got back word that the bank had visited our customer's ex-customer, had learned that a misunderstanding had been responsible for loss of the business, and that everything was straightened out.

"Naturally, all parties in this rather complicated bit of banking service—call it curative if you want to—were much pleased: our customer, his customer, and the bank that had acted as intermediary. Incidentally, we were pleased, too!"

ANOTHER example, somewhat removed from the aid-to-Main-Street idea, nevertheless shows what can be done when a bank sits down to write a prescription.

This bank had as a customer a large eastern railroad. The road owned a tract of waste land in the outskirts of a city close to a populous suburban area. A member of the bank's staff who lived in that city got the idea that if the tract could be developed several things might happen: The railroad would get some customers, the town itself would get a new industry or two, and the local bank would be helped.

So the city banker got in touch with the railroad, which happened to be a customer of his. Zoning laws, it seemed, had held back the tract's development. The next step, then, was to suggest that the suburban banking institution see whether the municipal authorities would not consider permitting a clean, quiet industry to locate on the site. The bank took up the question with the city, and sure enough, the zoning ordinance was changed so as to allow certain types of manufacturers to use the site.

Today an industry is thriving there. Its products are shipped on the railroad that runs alongside its factory, it has brought new people to the town, the local bank has benefited.

THE city bank? Well, as you can imagine, the prescription it wrote has greatly strengthened its relationship with one big railroad and one suburban bank.

Opportunities for service are not always so fruitful. But whether it's a railroad or a shoestore down the street, Doctor Banker has a job to do in keeping American business fit.

Electrified

HOUSEKEEPING

JOHN S. PIPER

MR. PIPER, financial editor of the *San Francisco News*, interviews the president of the Pacific Gas & Electric Company, who, among other things, recapitulates the national potential market for electrical equipment in the next few years.

THE electrical age is still in its development stage. The amazing progress which has characterized its growth since its beginning will continue.

Inventions and improved adaptations of existing appliances are multiplying the fruits of scientific advancement. Quantity production and steady reduction of costs are bringing these fruits to more families.

The comforts and conveniences of "electrical living," once limited to homes of wealth, can now be afforded and enjoyed by persons of moderate means—and they actually are being enjoyed in many an average household. In 10 years, American homemakers will use twice as much electricity as they do today.

These are the views of solid, substantial James B. Black, 55-year-old president of the Pacific Gas and Electric Company. His concern, operating in 46 of California's 58 counties, is one of the largest public utility enterprises in the country.

Black's outlook is not the superficial optimism of the promoter. Rather, it is the careful conclusion of a prudent, well-informed business man or banker.

For 34 years Jim Black has lived in the world of

electrical power. Born in Illinois and educated in California, he started his career in San Francisco as a service inspector for the Great Western Power Company, later a subsidiary of the North American Company.

In 1927 he became vice-president of the North American Company in New York. In 1930 he and the late A. F. Hockenbeamer, then P.G. and E. president, worked out the purchase by P.G. and E. of Great Western Power Company and San Joaquin Light and Power Corporation. In 1935 Black was appointed president of the company he still heads.

His ability to appraise and analyze all phases of the manifold problems confronting industry and finance has earned him directorates with the United States Steel Corporation, the Southern Pacific Company, the Equitable Life Assurance Society, and the Fireman's Fund Insurance Company. He is on the Business Advisory Council of the U. S. Department of Commerce.

He is married, has three grown children, lives in San Francisco and has a country home on the Monterey Peninsula, where he indulges in his favorite hobby of horseback riding.

"In the last 10 years," said Black, "the home use of electricity has doubled. This growth will continue at the rate of 6 to 10 per cent annually (compounded).

"In our own company we have been amazed at the tremendous gain in home usage during the last six months. This has come about despite the fact that the sale of appliances, interrupted by the war, is still a mere trickle. I feel that it is indicative of a great expansion when appliances are again produced in volume."



the Pacific Gas & Electric's President, "the banker's role in the new electrical age is an important one. He says:

"Already some progressive bankers are collaborating with builders, power companies, and dealers. They have developed plans to facilitate the sound financing of electrical equipment. In some instances, electrical equipment financing has been included in the mortgage."

"The banks are becoming more and more opportunities. In financing equipment purchases, I believe the ideal method is for a bank to work out a program with wholesalers. The bank will cooperate with individual dealers. Through this plan, if a banker may complete the financing of their business at one time, and enjoy the security of being repaid in small payments."

Asked what appliances customers will buy in volume, he listed: Automatic washing machines and dryers, electric ranges, water heaters, electric air heaters, dishwashing machines, home freezers, vacuum cleaners, radios, toasters, and electric irons and ironers. He pointed out that the degree of saturation of vacuum cleaners and radios is extremely high. Nevertheless, millions of consumers will want new models. Improvements in radios will, in a few years, make today's sets obsolete.

"There is a real need," Black continued, "for better lighting in the home. I know that I need it in mine. Fluorescent lighting is bound to expand greatly in the next 10 years."

He emphasized that the shortage of domestic help will intensify the demand for labor saving devices in the kitchen, and predicted that eventually a good American dish washing machine will retail at less than \$100. A Swedish company now makes a satisfactory model at this price. In addition to the domestic companies now producing these appliances, other firms will soon introduce home dishwashers to American housewives.

As to the electric and electronic blanket and electric carpet—new devices to whose perfection war inventions contributed—he was cautiously optimistic.

Black disclosed that before V-J Day his company, in an effort to assist electrical equipment dealers to gauge their postwar markets, conducted a poll type survey of its customers' buying intentions.

Here is a recapitulation of the potential market for the first three postwar years: Radios, 225,861; washing machines, 187,052; vacuum cleaners, 180,304; electric refrigerators, 121,716; home freezers, 62,372; ironing machines, 54,948; electric ranges, 47,876; dishwashers, 33,673; electric home laundry driers, 13,073; air conditioners (evaporator), 12,300; air conditioners (compressor), 11,475; electric water heaters, 2,515.

For several reasons, Black said, the P.G. and E. figures cannot be accurately assumed to be applicable to the entire country. The company serves high Btu gas at very low rates in practically all of its urban territory, and this affords unusually stiff competition with electricity for heating and cooking. This competition tends to hold down the demand for electric ranges, heating equipment and water heaters. On the other side of the picture, he emphasized that the standard of living and the accumulated savings on the Pacific Coast are well above the national average.

Nevertheless, it is interesting to transpose the P.G. and E. figures to a national basis.

Conservatively estimating the population of the company's territory at 3,500,000, and using 130 million as the population of the United States, 2.7 per cent, or one thirty-seventh of the nation's population are P.G. and E. customers. Multiplying the P.G. and E. buying intention figures by 37, we arrive at these figures for the national potential electrical equipment market for the next three years:

Radios, 8,356,857; washing machines, 6,920,924; vacuum cleaners, 6,671,248; electric refrigerators, 4,503,492;
(CONTINUED ON PAGE 105)



Top: A P.G. and E. power house in the heart of the city, with a capacity of 100,000 kilowatts, and one of the largest in the country.



Bottom: A modern school building that carries over 1,000 pupils over the city of Los Angeles. This is a new building, built by the city of Los Angeles.

Foreign Affairs

"EX-IMP" and "FUNDNBANK"

HERBERT BRATTER

THE past few weeks have witnessed the meeting of the boards of directors of the World Fund and Bank to proceed with the organization and preparation of those institutions for credit operations starting later this year. The period has also witnessed great activity in the Export-Import Bank. Both the latter and the BW institutions represent channels for the "postwar" support of the world economy by the United States.

Because of the long hiatus between the United States approval of the BW agreements last July and the ratification by enough other countries in December, the Export-Import Bank has had to bear the brunt of the foreign demand for American loans. Under the circumstances, this demand having been more prolonged than was envisaged a year ago, the resources of "Ex-Imp," despite husbanding, have been rapidly pledged and used. Ex-Imp is looking forward to the time when it can refer applicants to the World Bank, or to Wall Street. But soon it will expect more money from Congress, as President Truman has announced.

THE resources of the Export-Import Bank were expanded by an act of July 31, 1945, from \$700 million to the present total of \$3,500,000,000. Officials point out that the added \$2,800,000,000 was to meet extraordinary demands during the fiscal year 1946 only. As of this writing in May the bank has made, out of the \$2,800,000,000 just mentioned, reconstruction loans to a total of \$1,400,000,000. This leaves about \$1,400,000,000 to meet the requests of France—with which country the Bank is now negotiating—China, Czechoslovakia, Italy, Turkey and any other countries, including the USSR. France alone would like several billions from this country and the others also want as large amounts as they can get. The bank will probably need every bit of the \$1,250,000,000 additional which President Truman foreshadowed in his recent budget message.

Once the World Bank is in operation, about the end of this year, the Export-Import Bank hopes to refer to it any further requests for reconstruction credits. Meanwhile Ex-Imp's announced policy is to finance only the most pressing, non-postponable interim reconstruction needs, until the burden is assumed by the World Bank and private investors.

How willing the World Bank will be to lend liberally is a matter that seems not entirely clear. On the one hand, one hears, some Americans interested in the World

Bank would like to see it operate promptly and in a big way. These Americans are said to have been critical of the Export-Import Bank's "conservativeness." And on the other hand some Europeans interested in the World Bank have shown a determination to be cautious in committing their governments to make good possible defaults on World Bank loans, even though the money for the latter initially is raised largely in the United States. There is a suggestion, not shared last year by critics of BW, that the World Bank may turn out to be a conservative institution.

Once the World Bank is in operation, Ex-Imp hopes to concentrate more on exporter-importer credits and on areas of special interest to this country—Latin America and the Philippine Islands—with "relatively small and relatively short-term development loans." And it expects to interest itself particularly in development projects brought to its attention by American engineering and other firms operating abroad. Latin American borrowers are partial to borrowing from the Export-Import Bank. When asked why this is so, an American official answered the writer: "Perhaps under the mistaken impression that the Export-Import Bank, as compared with the World Bank, will be soft-boiled." The Latinos at BW evidenced concern that the World Bank would neglect their interests and publicly expressed their insistence that that institution devote itself 50 per cent to "reconstruction" and 50 per cent to "development." Another point to be remembered, of course, is the joint responsibility of World Bank members to make good defaults of others. In Export-Import Bank loans this is not the case.

THE fact that Ex-Imp has been filling the breach until the World Bank is operating does not mean that the former will be bailed out by the latter. World Bank loans must be for specific projects of reconstruction and development, a restriction which would seem clearly to exclude the taking over of obligations held by the Ex-Imp, whereas Ex-Imp loans have been for general purposes. Besides, the World Bank will want to make new loans rather than refinancing old loans.

Of the \$1,400,000,000 of last year's \$2,800,000,000 increase which the Export-Import Bank has at this writing used, \$550,000,000 has gone to France for Lend-Lease 3(c) purposes, \$300 million to Holland, \$100 million to Belgium, \$100 million to finance cotton

exports (Finland, Italy, Netherlands), \$100 million to the Netherlands East Indies, and the rest in smaller amounts to Norway, Poland, Finland, Greece, Denmark and China. The cotton credit to a group of Italian banks is the first to a former Axis country. That to Finland helps that country balance its budget and indirectly to pay its reparations to the USSR.

The Fund and Bank executive directors, who will supervise and guide those institutions in continuous session, met at separate places in Washington early in May. The Fund directors promptly chose Camille Gutt of Belgium to be "general manager," but the Bank, while awaiting a nomination from the United States Government, had to postpone selection of its "president." These two top managerial posts pay \$30,000 plus entertainment and other expenses plus reimbursement for national income taxes. For a married man the salary alone is in the United States equivalent to some \$60,000 a year and in Britain to about \$400,000 a year. The 24 executive directors are each authorized to draw \$17,000 a year after taxes and their 24 alternates, \$11,500 net. Mr. Gutt's resignation as executive director of the Fund and the Bank necessitated prompt election of a successor for those two positions.

The Fund and Bank are being housed comfortably on separate floors of an office building which has been temporarily occupied as a State Department annex. Each has been busy starting to build up a staff, establishing liaison with other international agencies like ECSOC (Economic and Social Council); rendering interpretations on questions raised by Congress in the BW enabling act, and by the British and Indian governments; deciding on functions, rules and regulations, budgets, pending membership applications; preparing to seek tax exemption for their officers and employees; etc. Apart from such matters of common interest, the Fund has had before it Paraguay's request for a 150 per cent increase in its quota from \$2 million to \$5 million, and it has the problems of initial par values and

other matters peculiar to it. The Bank's main issues are how to raise its needed dollars and how, where and when to lend them.

According to the decisions of the Savannah meeting in March, this writer estimates that the top 50 Fund and Bank officials may receive—at American income-tax rates—approximately \$1 million a year apart from allowable expense money. The governors voted themselves \$50 per diem. While the per diem was set at this figure to meet Lord Keynes' desires, the British at Savannah vigorously criticized the high salary scale and were supported, although in vain, by the Canadians and others. In a recent Senate speech Senator Hugh A. Butler of Nebraska, a member of the Banking and Currency Committee, said:

"I sincerely deplore the fact that in enacting the Bretton Woods program last July, Congress gave a blank check to an international group to write their own salaries. The American people who will have to foot most of the bill for a new international bureaucracy are not going to look kindly on this fancy salary schedule which Harry White and his Treasury Department friends fixed up for themselves.

"If this salary grab continues to stand, a top-heavy organization of two sets of officials for the Fund and Bank will cost more than \$750,000 in *tax-free* salaries for the 50 jobs that are to be filled. Expenses for these men and the cost of a supporting staff will add several hundred thousand dollars to the total aside from other cost of maintaining the Fund and Bank."

London Tries for a Comeback

The bilateral "sterling agreements" which the United Kingdom has negotiated with more than a dozen countries during and since the war contain provisions for modification to make them conform to the requirements of the International Monetary Fund. Although Keynes

(CONTINUED ON PAGE 110)

At the World Bank and Fund Meeting, Washington



Below, l. to r., Executive Directors J. V. Mladek, Czechoslovakia; Louis Rasminsky, Canada; Ahmed Zaki Bey Saad, Egypt; Francisco Alves Dos Santos-Filho, Brazil

Below, left to right, Harry D. White, U.S.A.; G. W. J. Bruins, Netherlands; and Crena de Iongh, Netherlands

HARRIS & EWING



Above, left to right, Louis Rasminsky, Canada; Ahmed Zaki Bey Saad, Egypt; Francisco Alves Dos Santos-Filho, Brazil; and Harry D. White, U.S.A.



RUSSIAN ISOLATION

FRED I. KENT

MR. KENT is a director of the Bankers Trust Company, New York, and chairman of The Commerce and Marine Commission, American Bankers Association.

A Clash of Ideologies

THE time has come when the two so-called ideologies that constitute the principal differences that exist in connection with the governments of the world are leading toward a showdown. One of these ideologies is communism, which appears to be only a means to an end—and the end, power over the people—and the other is the free enterprise system, with government regulation to protect the rights of all.

The first of these methods of procedure, communism, became the ruling force in Russia upon the establishment of the Soviet Government following the upset of Krensky. Those in control of the Russian Government seemed to believe that communism could not prevail in that country unless all other nations were brought into the same form of government. The Third International was the means utilized by the government to develop the infiltration of communists in other countries in the hope that their governments might ultimately be disintegrated and communism put into their place.

It may be that the Russians were right in their belief that communistic countries and those where freedom of religion and private enterprise in some important degree prevailed can not exist side by side.

Russia Aloof

It is inconceivable that the pressures exerted upon individuals under communism could or would have any attraction for anyone outside of such a government, if all the facts as to the lives of the people under communism were understood. Undoubtedly, because of this, Russia has considered it essential to her existence as a totalitarian power to develop an isolation from both sides of her borders—that is, to keep her own people in ignorance of what is going on in the rest of the world and to keep the rest of the world in ignorance of what is going on in Russia.

The expansion of the Russian Government during and since World War II has been enormous. She has taken over and made Russian territory the countries of Estonia, Latvia, and Lithuania, has absorbed a part of Poland, some of Finland, much of Roumania, and is holding some of Germany and Czechoslovakia under control, which is also true of Hungary and part of Austria. Further, Bulgaria and Yugoslavia seem to be entirely within her power.

In the Near East she is laying the groundwork for gaining access to the Dardanelles, and in a manner that is a threat to Turkey, and is apparently looking toward the Persian Gulf. In the Far East she has added the Kurile Islands, the southern part of Sakhalin, northern Korea, and has established herself in Manchuria through control of the railroad and in other ways. She is also demanding a position in northern Africa. Through infiltration, communism is being exploited in the western countries of Europe. This is true also in many other countries of the world, including the United States.

Russia and World Communism

Altogether, therefore, it can be accepted as beyond any manner of doubt that Russia for her own fancied protection and world power is endeavoring to communize the world. Should she be successful in such efforts, it will mean the development of huge bureaucracies that will stultify production, lower the standard of living of all peoples, and eliminate the position of the United States as a free country and of the status of its people as independent citizens.

It therefore behooves the nations of the world that are not in accord with the Russian method of government, under which the people are mere pawns subject to such use as those in power wish to make of them, to exercise every peaceful force within their control to stop the Russian expansion.

In the United States this means that it is the duty of our citizens who wish to live and let live to study our Constitution and the history of our country and develop an understanding of the marvelous progress that has been made in this nation toward the elimination of hardship to its people and in raising the standard of living of all its citizens above that of any other country in the world and in creating a form of government that has resulted in continuing progress throughout its history.

It will be found that this has been true up to the time when communistic influences began to spread through important groups among our people in government and out; further, that since then chaotic conditions have developed which, if not alleviated promptly, must lead toward great disaster.

Every American's Duty

It is the duty of every American citizen, therefore, to strive to obtain an understanding of what America has

(CONTINUED ON PAGE 113)

The War Against Famine

CHESTER C. DAVIS

MR. DAVIS is chairman of the President's Famine Emergency Committee and president of the Federal Reserve Bank of St. Louis.

STARVING millions abroad look to America for help. The United States possesses the largest single exportable stock in the world today of the basic foods for famine relief—wheat and fats. We have promised aid. We have been sending aid. But not in amounts as large as promised. In the name of humanity, the least we can do is to meet our commitments. If we can do more, we will serve ourselves and all humanity so much the better.

This nation undertook to send six million long tons of wheat in the first six months of 1946. During April and early May we fell behind schedule. This must be made up in the next few weeks. The records of fat shipments are not all in hand as this is written in early May, but it appears that we also are failing to meet our commitments as to fat shipments.

As the size of the famine emergency has become plainer, the Government has taken several steps to enable us to meet our commitments. In early February, the extraction rate at the mills was raised to get more human food out of each bushel ground. In early March, the President appointed the Famine Emergency Committee to help the governmental agencies mobilize the individual effort and self-denial of consumers who would have to forego some of their accustomed amounts of cereals and fats so these life saving foods could go overseas.

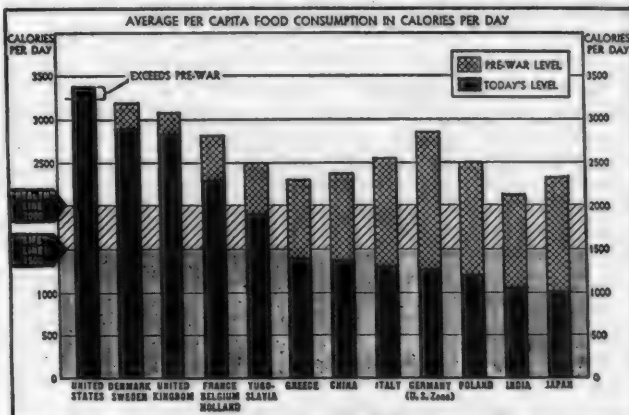
The Famine Emergency Committee is not asking for great sacrifice at the American family's table. We have

President Truman gives a check to Lieutenant General William N. Haskell, executive director of the Cooperative for American Remittances to Europe, Inc., to cover the cost of 100 CARE packages of food for distribution to needy Europeans



June 1946

WHAT THE NATIONS EAT AND WHAT THEY NEED



The chart is based on information from the OFAR, the UNRRA and various relief organizations. COURTESY NEW YORK TIMES

food enough and to spare to keep up health and strength. But we have to replace wheat and fats—all of us who can—to some extent with other more plentiful foods that do not ship well and can't be sent overseas.

The local Famine Emergency Committees have the facts on the degree of famine food conservation that is needed. In general terms it is the consumption of 40 per cent less wheat products and 20 per cent less fats than normal.

But self-denial by consumers will not do the job in time. It must be backed with stern governmental measures to get title to the wheat and fats needed, and to put these foods on the ships. In April a series of such measures became effective. The Government offered a special certificate and bonus plan for the marketing of wheat immediately. The Government also offered a bonus for early sales of corn. Readers of *BANKING* in the rural areas have all the facts on this. On the trade and consumer side, deliveries of flour into civilian consumption were limited to 75 per cent of the deliveries in the same months last year; and inventories of wheat and flour were limited.

The Famine Emergency Committee believes that action to set aside larger supplies of fats and oils will be required in order to reach the export goals for these foods, but these actions have not been taken at this writing.

Government officials are hopeful that in addition to shipments already made some 110 million bushels of wheat will be obtained by the new restrictions and sent abroad on their mission of mercy. Let me underscore this fact for you: *If we do meet the goals it will be necessary for consumers to deny themselves rigorously.* If we send the required amounts of wheat and flour abroad,

(CONTINUED ON PAGE 115)

What Is a Bank Customer?

(All characters are purely symbolic and no reference to any person, living or otherwise, is intended.)



What is a bank customer?

A bundle of statistics?

Is he a 20-year mortgage? . . . an income bracket? . . . the balance due on an automobile? . . . a mortality table? . . . 6%? . . . a sack full of facts and figures?

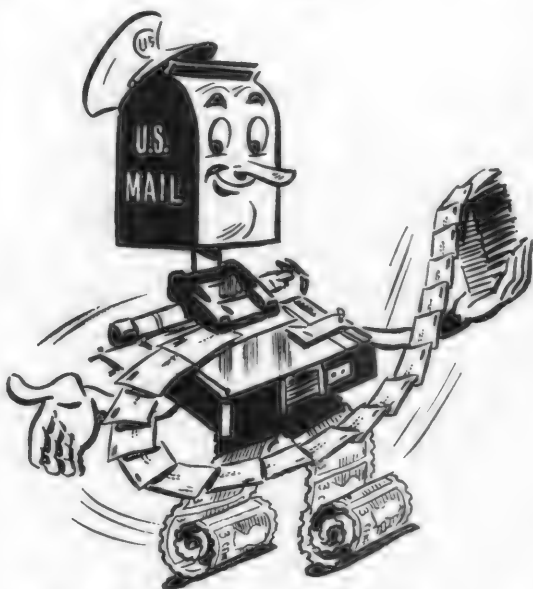


Is he a 12-year-old?

A lollipop-licking child?

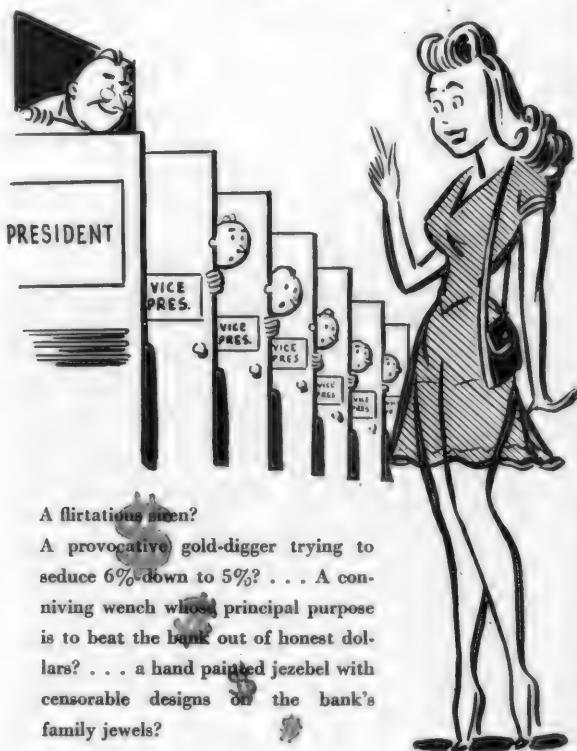
an uninformed mark-maker?

. . . a figment of Hans Andersen's imagination? . . . an infant who doesn't know what "tenants by the entirety in fee simple" means?



A name on a mailing list?

An envelope slipping through the postage meter? . . . just another address among thousands of addresses? . . . a stencil? . . . a bold, cold notation on a memorandum—"distribute booklet K-7 to the B list"? . . . a combination of keys on a typewriter?



A flirtations agent?

A provocative gold-digger trying to seduce 6% down to 5%? . . . A con-niving wench whose principal purpose is to beat the bank out of honest dol-lars? . . . a hand painted jezebel with censorable designs on the bank's family jewels?

BANKING



Is he a file card?

Pasteboard in a tickler file? . . . a finger-marked tab in a prospect list? . . . the soulless click of a multigraph machine?

Or is he a warm-hearted, well-meaning, living, breathing, intelligent, common-sensical human being just trying to get along?

If he is treated as such in personal contacts, in advertising and other forms of public relations, he's your loyal customer.

For there are few things that receive as much of a man's *personal* attention as his money; especially NOW, with the national accent on cash and prices.

Brush aside the cold facts and the hard figures, the common prejudices and the old traditions. The problem of public relations becomes—very simply—relations with Joe and Jane and their babies and vacations, their grocery bills and shrubbery.

Tap Joe and Jane with the magic wand of *personalized* public relations and you tap a gold mine.



Is he a signature?

An illegible scrawl on a check? . . . blue-black pigment on safety paper? . . . a fugitive from a photostat? . . . a candidate for a credit report?



The Mortality of Savings Accounts

HILDA M. HOFFMAN

The author is statistician of the Bowery Savings Bank of New York City.

ONE of the outstanding accomplishments of recent times has been the accumulation by the public of over \$48 billion in United States Savings Bonds in a period of 11 years. This vast sum is only slightly less than the \$49 billion of time deposits in mutual savings banks, commercial banks and postal savings on December 31, 1945. This could not have happened had there been no war, but since it did happen it is of great concern to everyone, especially the U. S. Treasury, to know what the more than 80 million people who own this tremendous amount of bonds plan to do with the bonds they now own and if they plan to keep on buying more. The Treasury's policy with regard to the public debt is affected by whether non-marketable securities will produce cash or use it up. The banks are interested because their savings depositors are the same people who own United States Savings Bonds.

In appraising the future trend of savings bonds it is necessary to determine the market for new savings bonds and the course of redemptions. The behavior of savings accounts is useful for this purpose since savings accounts also belong to people who have modest sums to invest.

A SAVINGS account is a flexible type of investment and the net amount in any account is the result of the original deposit plus additional deposits, minus any withdrawals that may be made. For a bank as a whole the total amount of money deposited or withdrawn currently is determined by current economic conditions; the total number of accounts opened is also determined by current economic conditions and that bank's competitive position in the locality, while the total number of accounts closed is determined principally by the basic savings habits of the American people with some variation for changes in economic conditions and the competitive position of the bank.

Savings bonds are a term investment and grow only through the accumulation of interest. Withdrawals take the form of cancellation or redemption of the bond. Hence, in my opinion, there are but two variables which must be considered to determine the increase or decrease in the amount of savings bonds outstanding: (1) The potential market for new bonds, and (2) the course of redemptions. There can be variations in the rate of redemption of one series compared with another but once the pattern for a specific series is set that pattern will not change much with changing economic conditions. The rate of redemption follows much the same course as the mortality of savings accounts.

To illustrate this point let us look at what has happened to accounts at the Bowery Savings Bank in the last

eight years and what has happened to savings bonds.

In 1938, by making an intensive analysis of over 4,000 accounts that closed during a given month, it was possible to build up a set of ratios which showed what the course of mortality would be for a given block of accounts if the economic conditions prevailing in 1938 continued during their entire lifetime.

These ratios were very useful because they established for the first time a pattern showing the basic behavior of savings accounts with regard to the length of time they remain in the bank. However, these ratios only solved the problem as far as economic conditions prevailing in 1938 were concerned.

Because the method used originally was complicated and consumed a great deal of time, it was necessary to devise a new method for computing the mortality ratios which would show what effect the different economic conditions that have existed since 1938 have had on accounts. It was possible, however, by the use of the 1938 ratios to make the new method an easy one to follow. This new method is nothing more than a comparison of the open accounts, segregated into groups according to the year in which they were opened, with the number of accounts in each corresponding age group that could be expected to have remained open if the 1938 mortality ratios had prevailed. This comparison has been made three times, namely September 1, 1941, July 1, 1944 and July 1, 1945, with the results shown in the table below.

Bowery Savings Bank Mortality of Accounts

Period Covered		Mortality Ratios—Cumulated			
From date of opening to end of	Expected from study of May 1938	Realized as of September 1, 1941	Realized as of July 1 1944	Realized as of July 1 1945	
1 Year (s)	21.42%	26.31%	16.10%	18.52%	
2 "	34.33	37.64	33.99	28.21	
3 "	42.11	39.51	40.63	39.87	
4 "	47.89	49.62	49.81	48.34	
5 "	52.65	57.13	54.92	55.15	
6 "	57.27	62.70	60.03	60.23	
7 "	60.96	65.80	63.47	62.61	
8 "	64.92	68.43	69.05	67.44	
9 "	68.52	69.90	71.85	71.84	
10 "	71.79	72.81	75.74	73.73	
15 "	82.14	83.17	82.71	80.53	
20 "	87.73	91.92	82.71	85.46	
25 "	90.62	94.91	91.24	90.08	
30 "	91.80	97.21	96.21	96.75	
35 "	92.40	98.61	98.44	98.31	
40 "	93.07	99.40	99.16	99.25	

There are certain generalizations which can be made from this table. They are: (1) The mortality rate is highest during the first year but the exact ratio for each block of accounts may vary within a spread of about 10 per cent depending on current economic conditions and/or current bank policies; (2) approximately 50 per cent of the accounts close within four years after opening; (3) over 70 per cent of the accounts close within 10 years after opening; and (4) all but a few of the accounts are closed at the end of 40 years.

By comparing the ratios obtained in 1941, 1944 and 1945 with the 1938 ratios, certain other conclusions can be reached. In making this comparison it is necessary to bear in mind the difference in the methods used in computing the 1938 ratios and the ratios for the other three years. The 1938 ratios were cumulated from individual ratios which represented the rate at which a given block of accounts were closing during a single month out of their lifetime. For example, the accounts that were less than one month old in May 1938 were closing at the rate of 2.17 per cent in one month, those in their third month were closing at the rate of 2.09 per cent in one month, and those in their tenth month at the rate of 1.46 per cent in one month. By cumulating all these monthly ratios up to 40 years of age a smooth curve was obtained which typifies the normal expectancy of any group of accounts. The ratios for 1941, 1944 and 1945 were obtained by studying what the realized cumulative mortality had been up to those dates for 40 groups of accounts segregated according to the year in which the accounts were opened.

THE specific conclusions that can be reached are: (1) In 1941 the mortality was higher than expected for the accounts under two years old, probably because of certain changes in the policy of this bank and because the first sale of Series E bonds in May 1941 drew accounts away from the savings banks; (2) in 1944 and 1945 the mortality was lower than expected for accounts under two years of age, because of the lack of spending outlets during the war years and the siphoning of money

into War Bonds that would normally have come to the savings banks; and (3) that variations in the cumulated mortality of older accounts may be traced back to conditions that existed at the time they were originally opened or to major crises that have occurred since.

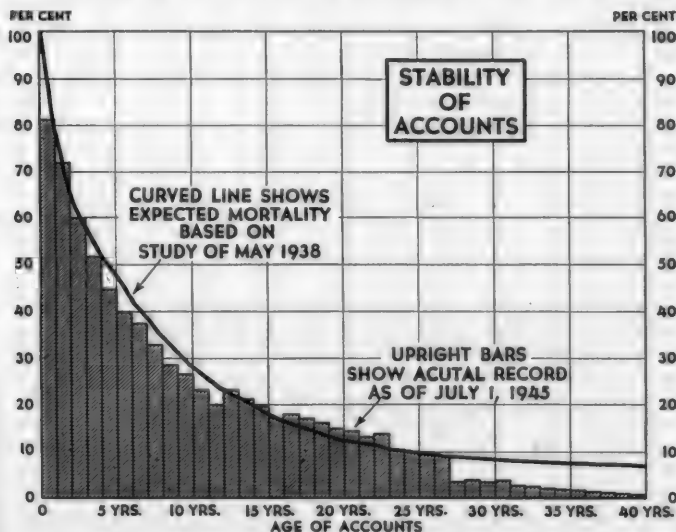
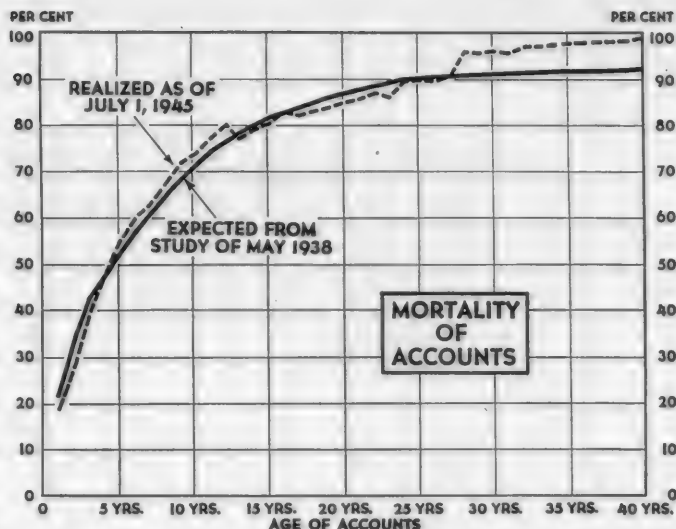
In order to make this latter point more clear two charts are presented which illustrate how the 1938 ratios compare with the ratios obtained in 1945. On the chart entitled "Mortality of Accounts" the 1938 ratios are the solid line and the 1945 ratios are the dotted line. The chart entitled "Stability of Accounts" is the reverse of the mortality chart and shows what percentage of accounts remain in the bank at a given time. By using bars for the accounts of various ages in 1945 and showing each of the 40 age groups separately it is easy to see which age groups have been the most stable.

In these charts it is evident that the accounts under three years old on July 1, 1945, those opened since July 1, 1942, had a lower mortality ratio than was expected. The accounts over three years and up to 12 years, those opened between July 1, 1933 and June 30, 1942, had a higher mortality than was expected. The accounts over 12 years and up to 27 years, those opened between July 1, 1918 and June 30, 1933, had a lower mortality than was expected. All the older accounts, those opened prior to June 30, 1918, had a higher mortality than the 1938 ratios indicated. In the case of these older accounts some of the seemingly higher mortality is due to the

difficulty of computing reliable ratios for older accounts by the method used in 1938. The other variations can be traced to certain specific reasons, such as war-time conditions in recent years, depression conditions in the 1930's and the period of prosperity in the 1920's. Accounts opened prior to 1942 were vulnerable to the Pearl Harbor crisis which caused large withdrawals from savings banks.

The question is: How are these ratios useful in estimating the future market for savings bonds? To arrive at the answer it is essential to understand thoroughly the characteristics and the past

(CONTINUED ON PAGE 85)



The CONSUMER CREDIT

The Market

This survey of the consumer credit market was prepared by RUTH O'NEILL of BANKING's staff.

Market Indications The nation's farm and rural home owners will spend an estimated \$2,294,900,000 in the next five years to improve present electric service, install tiled bathrooms and introduce running water to dwellings, according to a study released by the Tile Council of America.

* *

Properly employed, and with liberalized government regulations, consumer credit can enable 25 million new customers, who have not heretofore had the cash for purchasing durable goods, to fulfill their needs on a sound financial basis. E. A. Nicholas, chairman of set division of the Radio Manufacturers Association, says in *Consumer Credit*, official publication of Consumer Banking Institute.

Finance Plan for Time Sales The Lincoln Rochester Trust Company, Rochester, New York, has prepared an 8½ x 11" kit for dealers, called the "Lincoln Rochester Finance Plan for Time Sales." Copy invites the dealer "to consider the many advantages of offering customers the convenient, low-cost and popular finance plan," and describes the advantages, including low cost, quick service, extensive credit information, the number of Lincoln Rochester offices, supporting advertising campaigns in radio, newspapers, car cards and other media, and dealer's operational aids, samples of which are enclosed in the kit. Names of dealers already using the plan are listed.

Expansion in Steel Steel companies plan to spend this year a total of \$327 million for new equipment and additional facilities for producing highly finished types of steel for civilian goods. Included in the expenditures are costs of several continuous mills for producing cold rolled sheet and strip steel used for automobiles, refrigerators, ranges, etc.

International Exposition Two hundred manufacturers have already engaged exhibit space for the Seventh International Heating and Ventilating Exposition, scheduled for Lakeside Hall, Cleveland, January 27 to 31, 1947, to be held under the auspices of the American Society of Heating and Ventilating Engineers, in conjunction with their 54th annual meeting. Manufacturers of heating, ventilating, and air conditioning equipment expect to eliminate production

and material shortage difficulties and are planning to introduce their newest models at the Exposition.

Inflated Consumer Demands Electrical appliance men were warned by R. M. Oliver, vice-president of Proctor Electric Company, that anticipated public demands may be greatly inflated by consumers ordering a single item from as many as 12 dealers.

House Beautiful magazine has launched a campaign, spearheaded by the slogan "Better Your Home Better Your Living," to induce the American public to spend more money on furnishings and appliances.

News about New Products Tires of baby blue, orchid, bright red or almost any other color—to match or contrast with the color of the car—will be practical and durable as a result of "white carbon-black," a product of sand produced by the B. F. Goodrich Company. Commercial utilization of the new compound is still many months away because of its present high cost in relation to carbon-black, according to President W. S. Richardson.

* *

Initial production is now under way on pilot models of the new Apex Automatic Washer, which will introduce an entirely new cleansing principle into home laundering. It represents a complete departure from the agitator or spinner type actions. Production has been set back considerably behind previous estimates by the continued shortages of vitally needed material, according to the Apex Electrical Manufacturing Company, Cleveland, but steady progress is being made.

* *

Impurities in the basic materials of plastics, believed to cause present breakage, wear and deficient insulating properties of manufactured articles, should be largely eliminated through the use of pearl polymerization method which produces a basic plastic material of a high degree of purity, according to Dr. W. P. Honenstein, research associate in chemistry of the Polytechnic Institute of Brooklyn.

* *

The Westinghouse Electric Appliance Division will permanently drop production of a proposed, fundamentally different wringer type of washing machine because projected costs of manufacture show that it would be impossible to liquidate the investment and sell at a competitive price, it was reported recently by J. H. Ashbaugh, vice-president in charge of the division. The wringer washer was an important item in the company's full line of appliances.

DIGEST



The Trend

A. ANTON FRIEDRICH

The author is professor of economics at New York University and a member of The Graduate School of Banking faculty.

IN ONE way or another bank funds have always operated in the general field of consumer credit. Single payment loans have over the years constituted an appreciable part of consumer credit totals. Department stores were able to carry their large charge account totals partly by bank borrowing, although there was, of course, no specific allocation for this purpose. Small loan companies, finance companies, and other lending agencies borrowed from banks. But bank participation in the past was largely indirect. Except for those whose financial standing was such that they could borrow on a single payment basis, consumer borrowers went to financial institutions other than commercial banks for their loans.

Bank interest in direct lending to consumers did not develop until the late 1920's, and then only to a very modest extent. Of a total of more than \$650 million of consumer instalment loans in 1929, banks provided the

bagatelle of \$43 million. Out of every \$100 borrowed by consumers in direct loans, banks were providing the small sum of \$6.50.

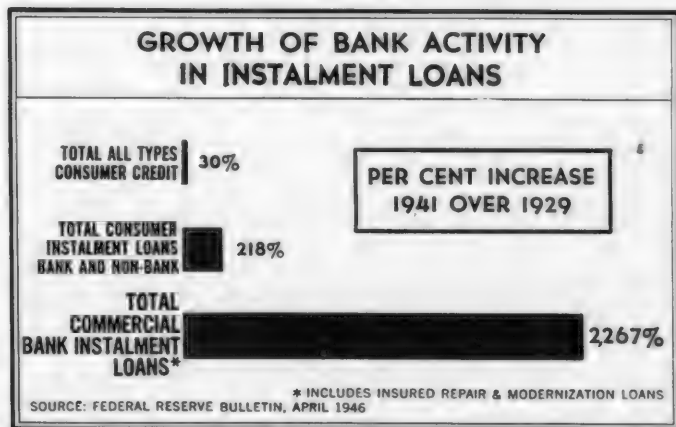
During the first five years, bank activity in consumer lending showed no growth at all. The totals changed reflecting the ebb and flow (mostly ebb) of business conditions, but the percentage participation of banks remained practically the same. Would the infant live? Perhaps direct consumer lending was credit of a kind suited only to specialized financial agencies and not to commercial banks. Certainly so it might have been argued on the basis of the record of the first five years, for this record showed no indication of promise of future growth.

In 1934, there were the first signs of life when bank participation in direct consumer lending increased to more than \$8 for every \$100 loaned. But this gave no clue to what was to follow—and I cannot avoid inserting the parenthetical remark that I am glad I was not at that time attempting, as I am now, to be prophetic about the future of bank lending in the consumer instalment loan field.

Beginning in 1935 there began a trend of growth which was revolutionary in its rate. In 1935 banks provided \$11 for every \$100 consumers borrowed; in 1936 \$15; in 1937 \$21; by 1939 \$32, and in 1941 bank participation reached a high of approximately \$36 in every \$100 loaned.

Even this is not the full story. We have excluded from our figure of consumer loans by banks their share of the insured repair and modernization loans. In our figure there are only the items of personal cash loans, and direct loans for the purchase of automobiles and other retail purchases. If bank participation in insured repair and modernization instalment loans were included, and the figures are available to do so from 1939 on, we would find that in 1941 of every \$100 consumers borrowed on an instalment basis for all purposes, commercial banks provided \$47 of it. A long way to have come from the early years when the norm was a mere \$6.

Spinning our statistical wheel, we can
(CONTINUED ON PAGE 113)



A.B.A. Savings Bond Program

AS ONE of the steps in its broad program to combat inflation, the American Bankers Association is organizing a national Committee on Treasury Savings Bonds which will assist the United States Treasury in distributing the public debt as widely as possible through the sale of Savings Bonds to individuals. Appointment of the new committee is announced by Frank C. Rathje, president of the A.B.A., and president of the Chicago City Bank and Trust Company.

This committee will be headed by H. Frederick Hagemann, Jr., vice-president of The Boatmen's National Bank, St. Louis. It will continue the general type of organization as the A.B.A. Committee on War Bond Drives which functioned so effectively in the seven War Loans and the Victory Loan.

The central committee comprises representative bankers from each broad geographical region of the United States, and state chairmen are to be named to head bank savings bond activities in each state. There will also be six state chairmen representing the six mutual savings banks associations.

Appointment of the committee was made by President Rathje in response to a request from Fred M. Vinson, Secretary of the Treasury, who said in a letter to Mr. Rathje:

"The banks earned the gratitude of the nation by their services during the years of war financing. In this difficult time of readjustment the Treasury will need more of this public-spirited aid in our continuing sale of Savings Bonds if we are to preserve for the people the benefits of the investments that you bankers helped us sell to 85 million Americans. In keeping the public debt widely distributed we shall be doing Treasury, banks and people a service whose value you fully appreciate. The assistance we receive from bankers will contribute much to the success of this program.

"The banks' part in this program will require leadership of the same high capacity as the American Bankers Association gave to War Finance through your splendidly effective A.B.A. War Bond Drives Committee and state A.B.A. chairmen."

IN REPLY to Secretary Vinson's letter, President Rathje said:

"I am happy to acknowledge your letter calling on the bankers of the country for continuing aid and to act for the Treasury as issuing agents for United States Savings Bonds. I recognize, with you, the importance of the task and the necessity of keeping the public debt as widely distributed as possible through the sale of these bonds to individuals.

"You will recall that at an earlier date I pledged the Treasury our full cooperation in whatever program was developed that would be best suited to postwar conditions and needs.

"It will be our purpose to continue the same general type of organization, operating through state A.B.A. chairmen, that functioned so effectively during the war

Chairman
H. Frederick
Hagemann,
Jr.



years. I am sure that you can anticipate that the same high degree of patriotism will characterize our effort. We want to see the habit of thrift continue to develop, for it is of such great importance to our future economy."

The A.B.A. Committee on Treasury Savings Bonds and the state chairmen will cooperate closely with the Treasury in an intensified sales promotion program for the sale of U. S. Savings Bonds beginning June 6, the second anniversary of D-Day. This promotion is not intended to increase the public debt but is aimed at maintaining widespread ownership of government obligations as one of the most effective anti-inflationary measures. During the seven War Bond Drives and the Victory Loan, the banks sold War Bonds to 85 million Americans, and it is hoped that in this savings bond program which will be a continuing one, the efforts of the banks will encourage thrift on the part of an even larger number of citizens.

The A.B.A. Committee on Treasury Savings Bonds will include, besides Chairman Hagemann: James G. Hall, executive vice-president, The First National Bank of Birmingham, Alabama; J. L. Driscoll, president, First Security Bank of Idaho N.A., Boise; Burr S. Swezey, president, LaFayette National Bank, LaFayette, Indiana; E. Chester Gersten, president, The Public National Bank and Trust Company of New York; George R. Martin, vice-president, Security-First National Bank, Los Angeles; Henry J. Nichols, vice-president, National Shawmut Bank, Boston; Edward H. Winton, president, Continental National Bank, Fort Worth; Thomas J. Groom, president, Bank of Commerce and Savings, Washington, D. C.; Robert W. Sparks, vice-president, Bowery Savings Bank, New York; Allen Morgan, executive vice-president, The First National Bank of Memphis; George R. Boyles, president, Merchants National Bank, Chicago; William R. Kuhns, editor of *BANKING*, secretary.



It Does More Jobs to Make More Money

THE kind of farmers you want as customers are thrifty, progressive men who run their farms in a business-like way. In applying for a loan to buy new equipment they talk in terms of lower labor costs, faster operation, bigger yields, greater profits.

Looking for these advantages in the machinery they buy, many of them are choosing Massey-Harris. Take for example the Forage Clipper shown above, a new development for making hay. You know the old way — a hot, hard, time-consuming, laborious job, one of the most costly in time and labor on the farm.

Contrast it with the new Forage Clipper way. One trip across the field lifts the hay from the windrow, chops it so that it stores more com-

pactly and feeds more economically, and loads it into a wagon, ready to be blown into the mow. In making silage, the same machine also does the mowing of the grass or the cutting of the corn.

Such time-saving, labor-saving, profit-making machinery has been the result of Massey-Harris experience and "know-how" for almost a hundred years. Many important developments, accepted practice today, were developed and pioneered by Massey-Harris engineers.

Talk with the Massey-Harris dealer in your community. Get acquainted with him and the machinery he sells. His customers are the worth-while farmers who are planning for a more profitable future.



FOR LOW-COST FARMING...

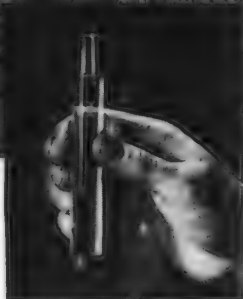
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**MASSEY-
HARRIS**
TRACTORS COMBINES IMPLEMENTS

TERRACES... "Eaves troughs" for the Missouri Watershed



PICTURED here is Exhibit A in the case against soil erosion, a test tube filled with water from the mud-swollen Missouri River. There is unmistakable evidence in the $\frac{3}{8}$ -inch layer of fertile silt which has settled to the bottom of this glass tube.

Here is a revealing sample of the 100,000,000 tons of topsoil swept away every year by this one river alone. When spring and summer rains begin, the Missouri's sediment load jumps from 10,000 to 3,000,000 tons a day. That's the topsoil equivalent of a 100-acre farm every five minutes.

Something can and is being done about it. Like almost every farming territory, the Missouri watershed needs "eaves troughs" — terraces and contour strips to control runoff water. Allis-Chalmers is co-operating with soil conservation engineers in demonstrating tractor methods of terracing with moldboard and disc plows, strip cropping, constructing ponds, waterways and reservoirs.

All these operations can be done with regular home-owned tractor equipment. Costly graders and heavy crawler tractors are no longer required.

By holding rain water on the slopes, modern tractor plows are providing life-giving moisture to crops and healing the cancerous erosion eating into our farmlands.

NEW HANDBOOK

"You Have What It Takes to Contour and Terrace"

Prepared by Allis-Chalmers engineers in cooperation with the Soil Conservation Service. Pictures and diagrams show practical soil-saving measures with regular farm equipment. A valuable reference for your bank patrons. You may obtain a copy without charge from your local Allis-Chalmers dealer, or by writing to . . .





The Country Banker

MR. BANOV, who is with the Information and Education Division of the Soil Conservation Service, USDA, says that much excellent work has already been done by bankers in solving the erosion problem. However, much more remains to be accomplished toward saving the nation from the effects of a worn-out agriculture. "Perhaps no other group," he says, "is in a position to do the good that the banking profession, through its leadership at the grassroots of America, can do."

...nature took the course of a few decades this verdant hills of American soil. In a few decades this verdant hills of American soil might have become bare. Soil conservation farming not being applied. When a slope is so steep for contouring furrows the field should be strip cropped, or else. If no open crops are attempted, tillage, close-growing grasses and legumes which fill the soil with roots, and from the soil a great

Let's Bank on the Soil

ABEL BANOV

INCREASINGLY often, here in America, certain agricultural areas crop out as serious social and economic problems. We've had our Dust Bowls, our Tobacco Roads. We know about millions of acres in other exhausted areas—areas that breed poor people, where banking, business and industry are stagnant.

All these problem areas have one thing in common: Mother Earth has sickened so badly through man's misuse that in most instances she can't be revived.

The startling thing is that this process is continuing. Experts tell us that not a single state in America is free from the menace of soil erosion. The day of reckoning has been delayed in some regions which had better soil resources to start with than others, but almost everywhere the process is well under way.

Throughout the nation, surveys by the United States Soil Conservation Service show, the erosive curse that has received 100 million acres of land for further cultivation is at work stripping off the thin, fertile sheath of topsoil standing between American agriculture and exhaustion. For generations, here in America, we've allowed our farms to float down to the brooks, down to the rivers and into the oceans.

The rapidity of the erosive process can best be illustrated by examples from various parts of the country. In Texas, on a 16½ per cent slope planted to cotton, 63 tons of soil, equal to more than a half-inch in depth,

ran off each measured acre as a result of a single rain. A 16 per cent slope in west-central Wisconsin lost 26 tons to the acre in a single one and four-fifths inch rain.

The severest loss of soil ever recorded in this country was in a bean-growing district of California in 1934. One bean farm lost 500 tons to the acre—more than three inches of topsoil—in one cloudburst.

Unless something's done soon, the stark facts of soil depletion will come home to more and more American communities. By 1970, population experts tell us, there will be 170 million Americans requiring food and clothing. Thus, in the face of increased agricultural demands, soil resources with which to satisfy that demand are diminishing. Dr. Hugh H. Bennett, chief of the Soil Conservation Service, tells us that approximately 100 million acres of crop land have already been ruined for further cultivation. Dr. Bennett warns that out of the 460 million acres suitable for crop land, 398 million are subject to erosion. To quote Dr. Bennett: "The actual fact is that the United States may eventually be face to face with a serious land shortage unless erosion is effectively and promptly halted. Erosion must be halted not only on the good land, but on the medium-quality crop land, and on large areas of forest and grazing land as well, if we are to support our population adequately."

Many far-seeing groups are already up in arms. Civic clubs have launched educational campaigns to acquaint



Rain must be policed to prevent banditry of topsoil. Into the ditch is pouring the most valuable part of this farm. The rushing water is carrying away irreplaceable soil, which could have been avoided by contour planting

both urban and rural dwellers with the menace to America and its institutions. On the ground level, farmers in nearly 1,500 soil conservation districts have banded together in a determined campaign to save American agriculture. But, in too many sections of the country, the campaign hasn't even started, while, in many cases, time is running out.

One healthful sign is the wholehearted support that bankers in various sections are giving the movement. Urban as well as rural bankers are giving more than mere lip service. They are showing the brand of leadership which has always characterized American banking. Banks in St. Joseph, Missouri, through the clearing-house association, have earmarked for soil conservation loans, \$500,000 out of the association's \$7,500,000 post-war credit pool.

In Oklahoma, as far back as 1934, the agricultural committee of the state bankers association hired agricultural engineers to assist in establishing conservation measures. The state committee led the way in conservation education and has even conducted classes for conservation-minded farmers. When there was talk this year of another southwest dust bowl, Oklahoma's name was conspicuously absent from the "honor" roll listing expected trouble spots.

The Federal Reserve Bank at Cleveland has issued an illustrated booklet, "Country Bank Action on the Soil Front," to encourage mobilization of bank resources for the war on soil erosion. The booklet points out: "Recent investigations indicate clearly that lending money to farmers for soil improvement and soil conservation purposes is a program involving no conflict between long-time social objectives and short-time self-interest motivations."

The Federal Reserve Bank of St. Louis has developed a sound plan for the individual farmer who needs funds to establish soil conservation practices. The booklet "Bank Credit for Soil Conservation," recently issued, explains why the bank recognizes the increased value of a farm which has had conservation treatment, and why it considers as capital improvements any and all steps toward conserving the soil. With this in mind, the bank will grant a long-term conservation loan to a man of suitable character, although he may already have as much as a 60 per cent mortgage on his farm. The bank's plan carefully considers what conservation will mean to the farmer in additional income, and arranges to have

his obligations wholly retired on the basis of this increase. The farm owner is not expected to dip into his normal earnings at all.

Research has shown that such conservation measures as planting on the contour, strip cropping, pasture renovation, reseeding and fertilizing definitely increase per acre earnings. What's more, regional experiment stations and actual records kept by conservation farmers have shown approximately how much each improved acre can be expected to produce above previous yields. The St. Louis bank plan takes all this into account.

The estimated per acre increase is based on the conservation farm plan which can be prepared for the individual farm by technicians of the Soil Conservation Service working through the 1,500 existing soil conservation districts—all governed by local farmer-supervisors. The farm plan mirrors conditions under which the farmer will work. By considering these conditions and results from similar fields on neighboring conservation farms, an appraiser can say with reasonable accuracy what the landowner can expect to net over his previous earnings. The St. Louis plan allows a 25 per cent margin for error, and repayments are based on 75 per cent of the anticipated income boost.

The St. Louis bank's confidence in increased conservation earnings is easily understood in the light of careful records kept throughout the country.

In Texas, experiments showed an average yield of grain in an experimental plot to be 723 pounds per acre where the land was contoured and terraced. A near-by plot with natural conditions as identical as possible yielded only 461 pounds per acre—this plot was cultivated up and down hill, the old-fashioned way.

A Cornell Agricultural College report shows that corn production on a contoured field was 14 bushels higher than that of a neighboring, straight-row field.

In Illinois, farm account records were kept for nine years on 20 farms with soil conservation techniques, and on an equal number of neighboring farms using the old system. The average net annual income for the conservation farms was \$14.63 per acre, compared with \$11.60 per acre for the run-of-the-mill farms. This is a little better than 25 per cent.

What the future holds for many agricultural sections, unless they join in the conservation fight to prevent loss of topsoil, can be realized from studies in several states to determine what increased depth of topsoil means to

(CONTINUED ON PAGE 87)

The effectiveness of conservation farming is illustrated in the picture below. Rain is a useful element when contouring and strip cropping is employed, as shown at right. The field on the top, left is slowly washing away



Banking Is This Farmer's Sideline

HAROLD SEVERSON

MR. SEVERSON is associate editor of the Southern Agriculturist, Nashville, Tennessee.

OUR guide on a "Friends of the Land" tour was busily explaining places of interest in Central Alabama. The long caravan of cars had left Montgomery early on a May morning and had visited various farms where soil conservation measures were salvaging the remaining topsoil. One of our stops was near the little village of Prattville, a few miles from Montgomery.

The caravan halted near an immense peach orchard. Our guide remarked:

"This belongs to the only farmer I know who runs a bank as a sideline to his farming interests."

"In other words," interjected a fellow-passenger, "this is the property of Dave Yarbrough of Prattville."

The peach orchard, we afterward learned, is only one small piece of income-producing property owned by lean, taciturn D. L. Yarbrough, merchant, ginner, banker, orchardist and farmer. As vice-president of the Bank of Prattville, he takes an intense interest in its affairs for it was largely through his efforts that the bank was organized back in 1935. With nearly \$2 million on deposit, the Bank of Prattville is the only one in Autauga County.

It took courage to get the bank started 11 years ago," commented C. G. Smith, president of the bank and secretary-treasurer of McQueen Smith Farms, largest piece of farming property in the state. "Dave Yarbrough had faith in Autauga County at a time when nearly everybody else seemed afraid to look into the future."

Today the Bank of Prattville is growing so rapidly that it has outgrown its present cramped quarters. Plans

for a new bank building have been discussed and a building site purchased. When materials are available construction will start.

It's quite definite that income from Dave Yarbrough's bank stock isn't running his farm as is frequently the case when business men own farms. He classifies himself as a farmer first and a business man second. That's where he differs from the average rural banker who has made a sideline or hobby out of farming. Born on a farm and reared as a farm boy, Dave Yarbrough still dresses and talks like an Alabama cotton and corn grower. The size and complexity of his various business enterprises stamps him as an exceptionally versatile and competent operator.

SOME of his business associates wonder how he keeps up with all his activities. Mr. Smith, who has known him intimately for many years, offers an explanation.

"It's easy for him to keep track of everything," says Mr. Smith, who has an enviable reputation along the same line. "He makes a thorough study of every situation and thinks things through. When he has examined a proposition from every angle and is satisfied that it will work, he goes ahead. He knows how to figure costs of operations."

A favorite story about Dave Yarbrough is that he didn't have a dime in his pocket after he had paid the preacher for marrying him. "Mistah Dave" laughs that one off, but he does admit starting from scratch. When he had reached the ripe old age of 18 years, he left home with 35 cents in his pockets. Four years later he bought the highest-priced farmland ever sold in the county, paying \$60 an acre for 550 acres. That was a \$25,000 proposition and it represented a sizable business venture

(CONTINUED ON PAGE 57)

Exterior of Bank of Prattville, left; right, J. W. Strange, cashier, conferring with Vice-president Dave Yarbrough



**A nation-wide co-ordinated
DEALER-BANK PLAN
exclusively through Dealers
for time buyers of automobiles**

The American Bank Credit Plan

◀ **Supports automobile Dealers 100%...**

◀ **Member Banks render all Dealer financial services...**

THE DEALER AS A KEY FIGURE

The American Bank Credit Plan links Banks and Dealers in a new and comprehensive automobile financing program which recognizes the Dealer as a key figure. We do *not* deny the Dealer his appropriate reserves on time-sales transactions, on which the Dealer renders continuing, essential services.

We consider the Dealer to be the strongest and most important link in the chain of motor car distribution. Any financing activity which results in weakening this link will be costly both to the industry and the consumer.

Facts and experience amply prove that any plan which does not work with, through and for the Dealer's best interests will fail to secure and hold any substantial volume of business. The American Bank Credit Plan squarely meets this objection, since it is designed exclusively for Dealers.

IMPORTANCE OF LOCAL BANKS

The American Bank Credit Plan goes beyond the customary services of a finance company, which can never rival the position in the com-

munity held by the local bank—the logical and economical source of credit both to Dealers and consumers. This nation-wide, co-ordinated Plan of automobile financing is being developed through Commercial Banks for Dealers throughout the country, under a program which provides every business service, is flexible enough to meet all Dealer requirements, and insures excellent local Dealer-Bank service.

OUTSTANDING DEALER-BANK PLAN

Conditions today demand that automobile finance plans for Dealers and their customers be more highly specialized and thoroughly comprehensive. The ultramodern and successful approach to the business provides for *many different kinds* of services for Dealers... services which help Dealers increase time sales and compensate them proportionately for doing so. The progressive American Bank Credit Plan meets *all* modern requirements of the industry and the time buyer.

This Plan has been heartily endorsed by Banks and Dealers as "the outstanding postwar Dealer-Bank Plan."

BENEFITS FOR CAR BUYERS

Member Banks, in addition to giving complete Dealer financial service, extend to the *car buyer* personal, friendly, and courteous service, with a dignified bank credit relationship.

The Customer receives the kind of treatment from Member Banks that makes him want to buy his future car from the same Dealer.

Further, the car buyer secures the benefits of a country-wide service which gives him essential insurance protection on his car, and attractive Safe Travel coverage for himself. This enables him to enjoy protected motoring wherever he goes.

NATION-WIDE LOW COST SERVICE

Summing up, the American Bank Credit Plan enables Member Banks throughout the country to offer a national, low cost, extraordinary service, which assures the automobile Manufacturers, Distributors, Dealers and buyers of automobiles, the most complete and attractive time-purchase plan ever offered... a Plan that gives—

"more than money can buy."

American Bank Credit Plan

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The foremost Dealer-Bank Plan in the automotive field offered exclusively through Dealers



for a youngster only four years removed from a total capital of 35 cents. Five years later the last payment had been made and the property was owned entirely by him.

"People thought I was foolish for paying such a high price for the land," Mr. Yarbrough reminisces. He doesn't feel a bit bad about having made good despite their pessimistic croakings. He ran that original farm into nearly 11,000 acres and has continued to live on it.

"I'm a real dirt farmer," says Mr. Yarbrough proudly.

He raises about everything, including 300 head of cattle, 40 to 50 brood sows, 80 acres of peaches, and about 6,000 acres of timber. His own sawmill handles much of the marketable timber on his property and in view of the tremendous demand for lumber, business is booming. He has his own gin, too, and turns out around 400 to 600 bales each year—484 bales in 1945. He rates cotton as his best income producing crop followed by corn, timber, fruits, oats, cattle and hogs.

MUCH of the land in Central Alabama has suffered heavily from erosion. That's especially true in the famed black soil belt, once a great cotton producing section yielding bumper crops for many decades. But decades of clean cultivation, combined with failure of the landowners to guard against erosion, resulted in the best of the top soil washing away, leaving outcroppings of limey soil. Arrival of the Soil Conservation Service technicians when the Central Alabama Soil Conservation Service district was organized, plus the work of a remarkable experiment station superintendent, K. G. Baker of Marion Junction, has done much to revitalize the section.

As chairman of the board of supervisors of the Central Alabama district, Dave Yarbrough has done much to spread the gospel of soil conservation in his area. Most of his land is being worked through plans laid out by the technicians of this government agency. The best land is devoted to cash crops; the poorer land is set aside for a soil-building crop like kudzu or planted to trees.

The same careful thinking that characterizes Mr. Yarbrough's operations as a banker and merchant goes into his farming. For instance, he has found it pays to purchase poor, steep, eroded land unfit for cultivation but useful for pasture or hay. By planting kudzu, he has a crop that comes into production three years later. When cut for hay it yields two to four tons of hay per acre and is also useful for grazing. It carries yearling per acre after it has become well established. Twenty shoats can be pastured to the acre and they can be finished off by feeding only a little corn.

The road to success and financial independence wasn't quite as easy for Dave Yarbrough as this short story would indicate. The boll weevil hit Central Alabama in 1915 and almost erased cotton growing from the agricultural picture. Mr. Yarbrough was hurt along with every grower in that section. It seemed almost hopeless. Then he read a farm magazine article urging growers to halt



Novelist-Playwright-Farmer Louis Bromfield, Soil Conservation Chief Bennett and Farmer-Banker Yarbrough examining crotalaria mulch on land recently planted in corn

soil erosion and to diversify their crops. The article made a tremendous impression on him and he followed its suggestions. In addition to terracing his lands, planting soil-building crops, and turning to sources of income other than cotton, he began to take the lead in urging neighbors to save their soil.

"A man is no richer than his land," he emphasizes.

That philosophy has brought him south-wide recognition. It's one reason why leaders in the soil conservation movement—men like Dr. Hugh Bennett, chief of the Soil Conservation Service, and Louis Bromfield, internationally known writer and farm expert—come to his farm for inspiration.

When Dave Yarbrough entertains agricultural leaders at his home, he cannot help thinking of the contrast between the present and the past. Shortly after he ventured away from his father's home and struck out on his own, cotton that sold for 14 cents a pound in August had dropped to four cents in October. Then there was the time when he made a bumper yield of cotton and couldn't get the crop sold. It was typical of Dave Yarbrough that he kept on trying until he finally sold five bales for a total of \$100 and then gave the money to his Negro tenants to give them some Christmas cheer.

THE Yarbrough farms support about 50 families, a few being sharecroppers and wage hands. That gives an index to the size of his operations. He maintains his own commissary.

During the war years when hardware lines were very short, the Red Arrow Hardware Store in Prattville was well equipped with large stocks. The fact that this store is owned by Dave Yarbrough and son accounts for that.

"We had an idea that hardware was going to become mighty short during the war," Mr. Yarbrough explains. "So we bought when the stuff was available."

The same explanation also tells how an 18-year-old boy, with 35 cents in his pocket, is today one of Alabama's most highly diversified and successful farmers. It also explains why he's a farmer who has the means to run a bank as a sideline.

What Is a Good Farm Loan?

V. B. HART

PROFESSOR HART is extension professor in Farm Management at New York State College of Agriculture at Ithaca. He is also a member of the Advisory Council of the Agricultural Commission of the American Bankers Association.

DURING the last two or three years many country bankers have asked me, "What is a good farm loan?"

Here is the answer I have been giving: "A good farm loan is one that is good for all concerned—good for the bank that makes it, good for the farmer who borrows the money, good for the farm business in which the money is used, and good for the community in which the bank and the farm are located."

Collateral or Income?

I firmly believe the most important reason why more farm loans do not meet the standard I have set for "good" is simply failure to recognize the cardinal principle that operating loans should be paid out of operating income.

Not so long ago a banker told me he had a certain amount of short-term farm loans and said: "They are all good because every one of them is backed up by a chattel mortgage on cattle and machinery worth a lot more than the loan." Maybe those loans are all good from the standpoint of the bank being able to eventually collect on them. But unless that banker knows a lot more about the ability of his borrowers to repay out of operating income than I think he does, he is going to have to take over some livestock and machinery before all of his "good" loans are paid out. That will not be good for the bank, the farmer, the farm, or the community.

The operating income of a farm business depends upon weather, prices, and certain definite farm management factors. Long-range weather forecasting is not much help in making farm loans. The same applies to considerable extent to predicting prices. Here are, however, three facts about prices I believe may be of use in evaluating farm loans today: (1) Prices of farm products are now more than double what they were before the start of World War II; (2) present farm incomes make some loans look a lot better than they really are; and (3) some farm loans now on the books could not be repaid with prices of farm products that have prevailed over the years.

The Management Factors

The important factors, aside from weather and prices, that affect farm incomes have been definitely established by careful farm management research. Although conditions vary over the country, it has been found that in general the six most important factors affecting farm incomes and over which the farmer does

have some control are: Size of business, production per animal, crop yields, labor efficiency, diversity of business, and quality of land.

With present cost of labor and the introduction of labor-saving machinery, it is just naturally going to take a larger business than before the war to provide profitable employment and a good living for the average-sized farm family. Present and probable future relatively high cost of farm labor calls for a higher output per man. What was considered a good production per cow or per hen or a good rate of crop production 10 years ago may now be just fair and may be too poor for economical production in the near future.

A hard-working person should be able to accomplish more than a lazy one. But it has been definitely proven that better labor efficiency on some farms than on others is due more to better size of business, better use of labor-saving methods, better arrangements of fields and buildings, and to better planning of operations than to how hard men work. With present cost of labor and the introduction of labor-saving equipment and methods, long hours and hard work will not make up for poor labor efficiency due to too small a business, lack of labor-saving equipment, or failure to obtain high production of crops and animals.

How Much Diversification?

Many fine speeches have been made on the need for greater diversification in farming. But new and specialized equipment is rapidly coming into the picture. Also the present-day farmer needs more technical knowledge of plants and animals than ever before. These factors make it increasingly difficult for one farmer to have all the equipment, all the knowledge, and all the training needed to efficiently handle a large number of different enterprises. Experience indicates that the degree of diversification which means several products to sell and enough of each to give efficient production is a better risk for a loan than "a little of a lot of things and not much of anything."

A couple of thousand years ago Cato said: "When you buy a farm be not afraid to buy good land even though you may have to go to the money changers for part of the price." Studies of a large number of farm loans indicate that Cato was right and that the effect of quality of land on farm income and on the ability to repay loans is likely to be increasingly important.

What It Takes

A good appraisal of a farm loan should start with an evaluation of the borrower and of his credit statement. But it should also include consideration of the present price situation and a careful analysis of the farm business with respect to those farm-management factors which are known to be important in determining operating income.

Operating Tools for Country Banks

ONE OF the most important projects to be undertaken by the Country Bank Operations Commission of the American Bankers Association this year will be a study of the government bond portfolio for country banks, according to K. J. McDonald, who presided, in the absence of Commission Chairman William C. Rempfer, at the two-day semi-annual business session of the Commission in Detroit last month. Mr. McDonald is president of the Iowa Trust and Savings Bank, Estherville, Iowa.

During the two days of business meetings, the commission heard reports from its nine working committees and discussed a variety of other bank operating problems.

On Tuesday the Commission members were guests of the Ford Motor Company at luncheon and on at our of the River Rouge plant.

Besides the new study on the country bank bond portfolio, the Commission will continue its cost studies, which have proven to be of great value to officers of individual banks. These figures have also proven valuable in the constructive national program of making bank services useful to an even greater segment of the public.

An important step in the cost analysis will be undertaken this year when the Commission will make an organized effort to acquaint individual bankers with the value of the information contained in their cost analysis report and how to apply it to their own bank to obtain greater operating efficiency.

Another major project will be coordinating the work of the Commission with that of other A.B.A. working groups and seeking cooperation with them in projects which apply to the operational aspects of country banking. In this program the Commission will work closely with the Agricultural Commission and the Committee on Service to War Veterans.

In its new study on government bond portfolio for country banks, the Commission will consider spacing of maturities in relation to deposits and a detailed analysis of bank capital structures, and will provide for country bankers a method by which they can compare the government bond investments of their banks with other banks of similar size and location.

The highlight of one of the business sessions was the talk by Dr. Harold Stonier, executive manager of the A.B.A., on the importance of country banks in the American banking system. Dr. Stonier also reviewed the work done by the various A.B.A. groups which is aimed at promoting the welfare and serving the needs of country banks.

During the two days, only one open session was held. At the Monday luncheon, the Commission was addressed by Charles M. Short, supervisor of research, Canadian Bank of Commerce, Toronto. Mr. Short described in detail the development of the Canadian banking system, which he said, "was developed to meet the needs of that country for banking service."

Subcommittee Chairmen Report

BOND PORTFOLIO—*Claude F. Pack*, president, Home State Bank, Kansas City, Kansas



COST ANALYSIS—*S. N. Shafer*, president, First National Bank, Fort Atkinson, Wisconsin



INTERNAL OPERATIONS—*Stanley A. Neilson*, president, Bank of Gowanda, Gowanda, New York



PERSONNEL—*Howard Hambleton*, vice-president, Citizens National Bank, Waxahachie, Texas



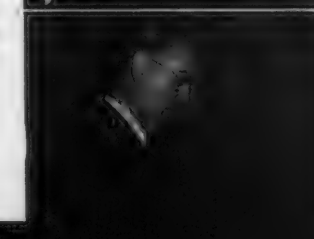
PUBLIC RELATIONS—*Clyde D. Harris*, president, First National Bank, Cape Girardeau, Missouri



SERVICE CHARGES—*R. A. Bezoier*, vice-president-cashier, First National Bank, Rochester, Minnesota



VETERAN LIAISON—*Russell H. Britton*, vice-president-cashier, First National Bank, Rochester, New Hampshire



News Around and About

Merchandising . . . Bank Operations . . . Legislation . . . Better Farming

Farm Land Prices Serious

THE inflationary situation in farm real estate is becoming serious, according to C. W. Bailey, vice-president of the American Bankers Association, chairman of its Agricultural Commission, and president, First National Bank, Clarksville, Tennessee, in a recent letter to secretaries of state bankers associations.

On the basis of March 1, 1946, figures from the Bureau of Agricultural Economics of the United States Department of Agriculture, average farm land prices in continental United States are now up 71 per cent of the pre-World War II 1935-1939 average. This increase compares with a 70 per cent rise from the pre-World War I 1912-1914 average to the 1920 inflation peak which followed World War I.

"More than one-quarter of the increase during the present period of inflation has occurred during the past year, and the inflationary situation has become especially pronounced during recent months," Mr. Bailey states.

"It is interesting to note that farm land prices have more than doubled in Kentucky, Tennessee, Colorado, Indiana, North and South Carolina, and Wyoming since the beginning of World War II. Other states in which average values have nearly doubled are: Montana, Arkansas, Mississippi, Georgia, Ohio, and Michigan.

"Sales of farms have continued at high level during the past year, and the number of farms resold after a limited period of ownership has increased. This means speculation in farm land.

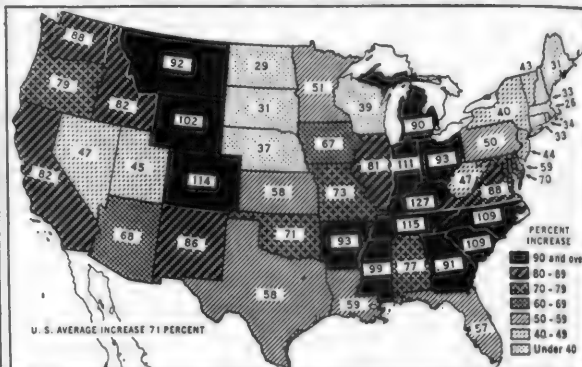
"Increased prices and activity in the farm real estate market have apparently influenced banks to increase their interest in making farm mortgage loans. Under these circumstances the Agricultural Commission has stressed the importance to country banks of developing sound and helpful farm lending methods. Your attention is again called to the attached statement by the Commission, 'Principles of Farm Mortgage Financing.'

"Bankers have a big responsibility in the present situation to:

- (1) Advise those who are likely to make one purchase of a farm in a lifetime to go slow.
- (2) Discourage borrowing to speculate in farm land.
- (3) Encourage farmers—and everybody—to buy U. S. Savings Bonds and to save in other ways to fight inflation now.
- (4) Help veterans by giving them practical information about the hazards inherent in excessive farm land prices.

"We urge you to bring again to the attention of your banks the warning which the Agricultural Commission has stressed since the beginning of World War II: 'Do what you can to influence your customers to keep in a safe financial position—and watch the trends.'"

PER CENT INCREASE IN FARM LAND PRICES DURING AND SINCE WORLD WAR II



MAP PREPARED BY BUREAU OF AGRICULTURAL ECONOMICS, U.S. DEPT. OF AGR., TO SHOW INCREASE PER ACRE IN FARM REAL ESTATE VALUES FROM 1935-39 AVERAGE TO MARCH 1946.

S. D. Soil Conservation — Youth Activities Program

The importance of soil conservation in South Dakota was designated a major project of the agricultural committee of the South Dakota Bankers Association at a recent meeting in Brookings.

This meeting was attended by S. W. Jones, secretary of the Greater South Dakota Association, who outlined the program of the South Dakota Soil and Moisture Conservation Achievement Program being sponsored by that association, the South Dakota Press Association, South Dakota State College, and the State Soil Conservation Committee. Participation by the South Dakota Bankers Association in this program was endorsed by the committee and it subscribed to the award fund.

Youth activities will also headline the South Dakota association's 1946 program. New methods of increasing cooperation between club leaders, members and bankers will be developed.

Bank Ad Commends Soil Conservation

The Peoples Bank of Roxboro, North Carolina, performed a real public service to the community it serves by publishing recently a full-page advertisement in *The Courier-Times* entitled, "Soil Conservation Show Window Along U. S. 501."

The advertisement is illustrated with a map of route 501, with the farms blocked in and the names of the owners and/or tenants shown. A subheading reading,

"Bethel Hill Community and Person County Farmers Along Highway Present 13-Mile Front of Conservation Farming from Virginia Line to Roxboro City Limit" explains the significance of the map. This subheading is followed by copy in sizable type reading: "All these landowners except as indicated have already developed complete soil and water conservation plans with assistance of the local Soil Conservation Service technician in the Dan River Soil Conservation District during the last half of 1945. During the next several years, they intend to continue improvements in agriculture, protecting their farms against erosion, and '*Clearing Up the Streams.*' We commend them for their outstanding leadership and progressive attitude."

The advertisement also carries a picture illustrating contour strip rotation farming, with appropriate caption, and a photograph of farmers and tenants present at a local meeting devoted to soil and water conservation planning.

Connecticut Farm Credit School

Connecticut's second annual farm credit school will be held at the University of Connecticut, June 19-20. Sponsored by the agricultural committee of the Connecticut Bankers Association and the College of Agriculture at the University, the school will be attended by representatives of credit agencies serving farmers.

The two-day program is planned to develop a better understanding of the credit needs of Connecticut farmers, and to acquaint the credit men with the outlook for agriculture in the state.

Five Years to Restore European Food

Five years to restore European food production to prewar levels was forecast in a recent Department of Agriculture report, which recalled that it took seven years for agricultural recovery after World War I.

The five-year forecast was based upon a study of agricultural conditions in Europe. In normal times Europe imports about 16 per cent of her food and the study indicated that large quantities of food produced in the United States and other surplus-producing countries may be required by the Continent beyond 1950.

Food production declined more than 25 per cent during World War I, the Department of Agriculture said. The decline during World War II, which reached its lowest point in 1945, was said to have been even greater.

Bank Offers Prizes for Increased Corn Yield

The Bank of Ahoskie, North Carolina, is sponsoring a contest to encourage farmers in Hertford County to increase their corn yield by following the improved practices recommended by the North Carolina Agricultural Experiment Station.

H. B. Copeland, cashier, discusses the situation with respect to corn growing in the Ahoskie area and the purpose of the contest as follows:

"Our county agent and other farm leaders are anxious to encourage our farmers to raise more corn and feed crops. For the past few years, our farmers planted almost all their acreage in peanuts, tobacco and to some extent cotton. As prices for these crops have advanced they

have planted less and less corn and are having to buy a large amount of the corn they use. The county agent tells us they have not kept pace with the 'know how' of corn raising as they have the other crops and that average yields are 30 to 35 bushels per acre when it could easily be 55 to 60 bushels. With such a yield it would be profitable.

"Representatives from our State Agricultural Experiment Station held a meeting of all farmers in the county to encourage them and instruct them in raising more corn and feed crops. We thought it might be an inducement if we announced we would give prizes in a contest. We made the arrangements with the county agent beforehand and announced the contest at the meeting. We hope to have about 50 in the contest this year and that the number will grow to several hundred in a few years."

Agricultural Consultant on Bank Staff

The Beatrice State Bank in Beatrice, Nebraska, has joined the growing lists of banks with agricultural specialists on their staffs in the appointment of Elden F. Goble as agricultural consultant.

Mr. Goble's appointment was announced through paid advertising and a news release. In making the announcement President R. W. Trefz said:


"Because agriculture as an industry is facing a re-conversion problem, only the farmer who operates efficiently and manages well will survive the inevitable readjustment, hence the addition of an agriculture man to the bank staff."

Mr. Goble, who was born and reared on a Nebraska farm, graduated from the University of Nebraska college of agriculture in 1942. He served as a field artillery officer during World War II and was awarded the French Croix de Guerre for the effective firing of his unit on the French coast.

Bankers Help Write Bank Ads

Thirty-six country bankers, each a specialist in some phase of agriculture, assisted the Advertising Department of the A.B.A. in preparing 12 short series of newspaper advertisements on selected types of agriculture,

From the A.B.A. Advertising Department's soil conservation series of bank ads



DON'T LET RAINFALL RUN AWAY

When water runs off your farm instead of soaking into the soil, you lose moisture, topsoil, and plant food in solution. Strip cropping and contour cultivation will prevent these losses. Our bank is always ready to help farmers with sound loans for practical soil conservation projects.

ranging from specific crops, such as wheat, hogs, cotton, fruit, sheep, corn, poultry, and tobacco, and suggested what banks should say in advertisements on each particular subject.

After the 12-ad series reached the copywriting stage, Nicholas A. Jamba, manager of the agricultural department of the National Bank and Trust Company, Norwich, New York, collaborated in writing and editing the copy, and in selecting illustrations.

While the advertisements stress the credit services with which banks are prepared to aid farmers in crop production, they also promote interest in well-balanced farming, soil conservation, and farm youth movements.

Six new direct mail pieces on soil conservation, financing farm equipment, loans for increased production to meet worldwide food needs, bank loans for farm repairs (two), and general farm credit have been prepared by the Advertising Department especially for country banks.

Soil Erosion in Oklahoma

"Figures in three Oklahoma counties show that soil erosion has been the major factor in ruining 259,000 acres of cropland, in decreasing the value of farm land and buildings more than \$47,500,000 and making it necessary that 3,134 farmers find 'new homes,'" according to Assistant State Conservationist Leon J. McDonald. "These figures are proof of the far-reaching effects of soil erosion. They show what happens to our social and economic structure when land is misused and not adequately protected against wind and water erosion.

"An adequate soil conservation program is the biggest job facing Oklahoma. It's a job that should challenge the financial, industrial, agricultural, educational leadership of the state. We must protect our remaining soil resources."

Bank Outside Man Turned Reporter

The idea that a bank's outside farm representative would also make a good reporter on farm news and agricultural developments for the local newspapers proved workable and valuable in the case of the First National Bank of Dewey, Oklahoma, whose president, D. M. Tyler, suggested it to Clyde V. Reasor while he was associated with the bank as contact representative.

Mr. Reasor found his job of reporting stimulating and of great value to the bank and to the community, and, although he is no longer affiliated with the First National, in his trips around the county in the dual capacity of county clerk of Washington County, Bartlesville, Oklahoma, and editor of the *Washington Countian*, published weekly at Dewey, he picks up a great deal of

news on farm developments which he reports in a weekly column, in an easy-to-read vernacular.

In a letter to A.B.A. Vice-president C. W. Bailey, Mr. Reasor summarized his experience as follows:

"I visited 375 farmers at their homes in the next nine months. Most of the farmers in Washington County did business with our little bank and I think Mr. Tyler's idea of a goodwill ambassador was one of the best moves that any bank could initiate."

"It was while visiting our customers for the bank that Mr. Tyler suggested that I write a column telling of my visits and the result was such that when I would meet the folks they would ask me when I was going to visit their farm and, of course, I would always say when the chickens were big enough to fry, or when they were going to have corn bread and beans."

Among other things, Mr. Reasor emphasizes the need for soil conservation methods and tells of the fine work that is being done by 4-H Clubs and Future Farmers.

Bank Cooperates in Pure Bred Sire Program

The Union National Bank of Marquette, Michigan, has cooperated with the Upper Peninsula Development Bureau and State Department of Agriculture Extension Service, Michigan State College, in making its credit facilities available in the development of a pure bred sire program.

The progress report of these agencies reveals that "327 registered bulls took their paternal seat in two years in as many Upper Peninsula herds." In these herds were an estimated 5,100 cows, of which 97 per cent were grades. Fifteen counties are included in this program.

"Farm Equipment Retailing" Boosts Bankers

Among the best public relations jobs for the banks by another industry to come to our attention was found in bulletins (GP-7 and 8) entitled "Farm Equipment Retailing," recently published by the National Retail Farm Equipment Association, Inc. They are effectively illustrated with pen drawings and discuss credit policies and dealer-banker relations.

The bulletin on credit policies encourages dealers to borrow from banks when necessary and states that a "line of credit ought to be established even though there may be no immediate need for it." Under a subheading entitled "Using Banking Facilities" the bulletin states: "Local bankers make it their business to be thoroughly familiar with the ability and habits of the farmers of a community in the settlement of their obligations. . . . "Reputable farmers can deal with the bank, obtain the money with which to buy their reasonable needs from the dealer for cash."

Brief excerpts from the dealer-banker relations bulletin (GP-8): "The local (country) bank is a logical source for financing the farmer's purchase of necessary farm equipment. . . . "Some farm equipment retailers have occasionally overlooked the importance of the country banker's place in local financing."

This bulletin carries the dealer through each step of financing sales of farm equipment to farmers, pointing out how the bank fits into every transaction.

BANKING

Farm loan display booth of the Industrial Trust Company of Providence, at a Rhode Island farm show in the State Armory



A.B.A. Asks Non-Political Farm Credit

SEPARATION of the Farm Credit Administration from the U. S. Department of Agriculture was asked again last month by John N. Thomson, chairman of the Subcommittee on Agricultural Credit of the American Bankers Association's Committee on Federal Legislation, in testimony before the Senate Committee on Agriculture and Forestry on the Flannagan Bill. This bill would reestablish the independent status of the Farm Credit Administration by transferring it from the political control of the U. S. Department of Agriculture to the control and supervision of a bi-partisan board to be known as the Agricultural Credit Agency. Mr. Thomson, who is vice-president of the Bank of Centerville, South Dakota, endorsed this procedure as a step in the right direction.

On the other hand, he warned against the inclusion in the bill of the Taber amendment, adopted on the floor of the House of Representatives, which would concentrate the operation of the various farm credit lending agencies in a single representative at the county level, and urged the elimination of the amendment.

Mr. Thomson told the committee that the A.B.A. has long advocated that the agencies of the Farm Credit Administration be farmer-owned and farmer-controlled cooperative credit institutions and that the provisions of the Flannagan Bill "will be a practical step in the direction of bringing about that objective."

He pointed out that the bill also contains a specific declaration of policy on the part of Congress that the proposed bi-partisan board shall "promote a system of agricultural credit banks and associations and cause them as soon as practicable to become producer-owned and producer-controlled.

"This was the original goal of the cooperative credit system," Mr. Thomson said, "and remained the goal until the Farm Credit Administration was transferred to the Department of Agriculture by executive order in 1939. It has been largely lost sight of since."

He stated that direct government credit should also be removed from political influence by transfer to an independent agency, which he said is provided in the Flannagan Bill.

Mr. Thomson told the committee that the Taber amendment, providing for a single representative of all agencies at the county level, is in conflict with the philosophy of the bill as originally written and introduced, which provided for coordination at the top and left to the proposed bi-partisan board the making of such other coordination as experience might indicate to be desirable.

The Flannagan Bill would create and establish a policy-making bi-partisan Agricultural Credit Board of seven members, three from each of the major political parties and one to be appointed by the Secretary of Agriculture. Under them would be an Agricultural Credit Administrator, who would be responsible for the execution of the act subject to the general supervision and direction of the board.



Meeting of the Subcommittee on Agricultural Credit of the Federal Legislative Committee of the A.B.A., preliminary to presenting testimony before the Senate Committee on Agriculture and Forestry. *L. to r.*, N. V. Torgerson, Adams, Minn.; A. T. Fort, Lumpkin, Ga.; Mr. Thomson; Oluf Gandrud, Benson, Minn.; John H. Crocker, Decatur, Ill.; Edgar McBride, Blue Hill, Nebr. Also present, but not in picture: Charles T. O'Neill, Charlottesville, Va., and E. W. Thomas, Gettysburg, Pa., and A.B.A. staff members A. G. Brown, D. J. Needham, J. O. Brott, George Y. Jarvis and Lester Gibson

The bill provides for the setting up of six principal divisions within the agency, as follows:

(1) A division for supervising the Central Bank for Cooperatives, the banks for cooperatives, and loans under the Agricultural Marketing Act revolving fund.

(2) A division to supervise the Production Credit Corporations and Production Credit Associations.

(3) A division to supervise the federal land banks, the national farm loan associations, commissioner loans, and joint stock land banks.

(4) A division for supervising and administering direct lending to farmers.

(5) A division to supervise the federal intermediate credit banks and other financing and discounting activities of the agency.

(6) A division to carry out the functions of appraisal and examination and other service functions of the agency.

The position taken by Mr. Thomson was in line with the testimony given by him and by A. L. M. Wiggins, former A.B.A. president, before the House Committee on Agriculture last June, shortly after the bill was introduced by Representative Flannagan, chairman of the House committee. At that time, Mr. Wiggins approved the Flannagan Bill as a first step in bringing together under proper control all the credit agencies in agriculture; and Mr. Thomson stressed the need of amendments to keep the administration of direct government lending separate at the top from the administration of cooperative lending.

The hearing before the Senate Committee on Agriculture and Forestry was really a hearing on three bills—

(CONTINUED ON PAGE 103)

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BUILDING for the Future

FHA and the Banks

F G. ADDISON, JR., chairman of A.B.A.'s Committee on Federal Legislation, and president of the Security Savings & Commercial Bank, Washington, D. C., addressing the Eastern Mortgage Clinic of the Mortgage Bankers Association of America, in New York, April 29-30, warned that in consideration of FHA there must be a sharp line of demarcation between mutual mortgage insurance actuarially determined to be sound, and a gratuitous guarantee of mortgages by the Federal Government for "social objectives."

One of several speakers who discussed "FHA and the Future," Mr. Addison declared that if Congress should ever decide that the "social objectives" were necessary—as is proposed in the Wagner-Ellender-Taft Bill—then this guaranty must be recognized as a government obligation, "but has no place in any mutual insurance system based upon actuarial charges."

Mr. Addison's opinion as to what FHA ought to do today in "following" the increase in construction costs was that the agency as essentially an insurer of mortgages, "should not hazard its reserves" by keeping up with the rising trend.

Banks have a real and continuing interest in FHA, he said. They originated about a half of all FHA 203 loans and over a third of FHA 604 loans and hold in their portfolios 43 per cent of all these loans outstanding at the end of last year. He cautioned, however, that a very large part of the mortgages in the years ahead will originate with operative builders who, he said, find the FHA plan somewhat unattractive at the moment. He explained that some of the reasons for this are that, without FHA, there is less control over the final sales price and that some builders dislike the frequent delays and "red tape" of the FHA system. He said it must be recognized from a bank viewpoint that the volume of FHA mortgages in the immediate future "will be considerably restricted."

OTHER subjects discussed during the two-day session by prominent speakers in the fields covered, were: "What's ahead for the home building field?"; the GI lending system; and "What is ahead for interest rates?" Following are excerpts from a few of the addresses:

"What this country needs more than anything else in its housing program is a home that can be built and sold for \$800 per room. . . . In the field where private industry cannot construct houses for sale and rent at a price people can afford, the job will be done with the

subsidy commonly known as public housing. That there is a place for public housing in our scheme need not alarm us. What concerns me most is the belief that we are going to witness a very rapid growth in public housing, a growth brought about by the failure of the construction industry to do a real job in bringing costs down. We have for years followed an antiquated method in financing homes. Homes for rent or sale had to be sold before permanent financing could be arranged. . . ."
J. C. TAYLOR, JR., president, American Houses, Inc., of New York.

* * *

"The only possible impediments to the Wyatt housing proposals are the stubbornness of management, labor or government. We are trying to find the right answer. The day we believe the demand is being met and can be met without further controls or government intervention, we will end the controls. We don't want to spend our time hurling invectives at others or singing our praises. We want to tackle the huge housing problems which all parts of the home building industry have to face.

"The veteran isn't interested, or too much concerned, about how we get there or who leads the way. He is concerned with a good home at a reasonable price." WILLIAM K. DIVERS, special assistant to Wilson Wyatt, administrator of the National Housing Agency and the President's Special Housing Expediter.

* * *

"The supply of money in the hands of people today would appear to be nearly \$50 billion in excess of legitimate business needs. The exceedingly low rates prevailing today are due to more money in the hands of the people than is needed to carry on the business of the country, the easy money policy of our monetary authorities, competition for loans and investments and to what may prove to be, in many instances, an underestimate of the credit risks involved.

"Our monetary authorities, the Treasury and Federal Reserve officials, have been in no small measure responsible for the current excess of our money supply and the way it has affected interest rates." ROBERT C. EFFINGER, vice-president, Irving Trust Company, New York.

* * *

The conference was held under the joint sponsorship of the Mortgage Bankers Association and the New Jersey Bankers Association. It was attended by several hundred bankers, life insurance and real estate men.



Building News

Prefabrication Code

THE Building Officials Conference of America, Inc., has published basic building regulations covering the erection of dwellings and other classes of construction by prefabrication techniques. The code has been released to authorities in all cities of over 10,000 population and is considered, said the announcement, "the first organized effort by local building officials themselves to modernize building laws and regulations which have retarded the adoption of recently developed methods and new materials in construction."

Provisions of the code cover materials and methods of construction of prefabricated buildings, all uses and occupancies, sub-assemblies and units specifically defined in the document through performance requirements without restrictive barriers to new developments.

"It is the intent," the announcement stated, "to permit the use of all materials or methods of construction which meet minimum strength, durability and fire-resistant requirements, including among others, the use of steel, aluminum, magnesium, masonry, asbestos, concrete, wood, molded plywood, synthetic plastics or any combinations of such materials. Provision is made for the testing and approval of all new materials not specifically provided for, in accordance with standards set up in the prefabrication code."

Building Costs

A survey by the Northwestern National Life Insurance Company of Minneapolis discloses that the average

rise in home-building costs in 26 principal United States cities since 1940 has been 44.4 per cent. The house that cost \$5,000 in that year costs \$7,200 today — and will cost still more in six months.

Questionnaire surveys revealed that four out of five veterans want homes costing \$6,000 or less.

Predicting that some prospective home builders would lay aside their plans when they are faced with the new level of postwar costs, the survey report suggests that if the buyer can't afford the house he wants, built according to sound construction standards, he should either accept a smaller but equally well-built home, or else not build until he feels he can afford good quality construction.

"Veterans and all prospective home-buyers need to beware of a possible epidemic of jerrybuilding. The vast postwar home construction field is likely to attract a certain proportion of 'slick' operators. Therefore the prospective buyer should deal with a well-established, reputable concern, or at least be assured of expert inspection during construction, by the mortgage concern which finances the home."

The Senate's Housing Bill

The various amendments made to mid-May in S. 1592 (the Wagner-Ellender-Taft Bill), which had passed the Senate and was awaiting action by the House, do not alter in any way its fundamental objectives. Some minor recommendations made by the A.B.A. in testimony before the Senate Banking and Currency Committee have been incorporated in the present draft, but the Association still opposes the bill in principle.

One last-minute Senate amendment, to which vigorous objection was immediately taken by the Federal Housing Commissioner, was the insertion of a requirement for certification, in any mortgage offered for FHA insurance, that prevailing wage rates were paid in constructing the building. The Commissioner's objection was based on the extreme difficulty of administering such a provision. He said the requirement would seriously curtail if not completely destroy the insurance of mortgages on one- to four-family dwellings.

Several amendments to S. 1592 that were adopted by the Senate had been recommended by both the Association and the FHA. One of these was the elimination of the builder's warranty requirement for home mortgages insured by the FHA. Another amendment makes permissive, rather than mandatory, the inclusion of moratorium provisions in insured mortgages. In the Senate hearings there was strong opposition on the part of both the A.B.A. and the FHA to the proposed insurance of 95 per cent mortgages in amounts up to \$5,000 with maturities of 32 years, and in the present draft of the bill the

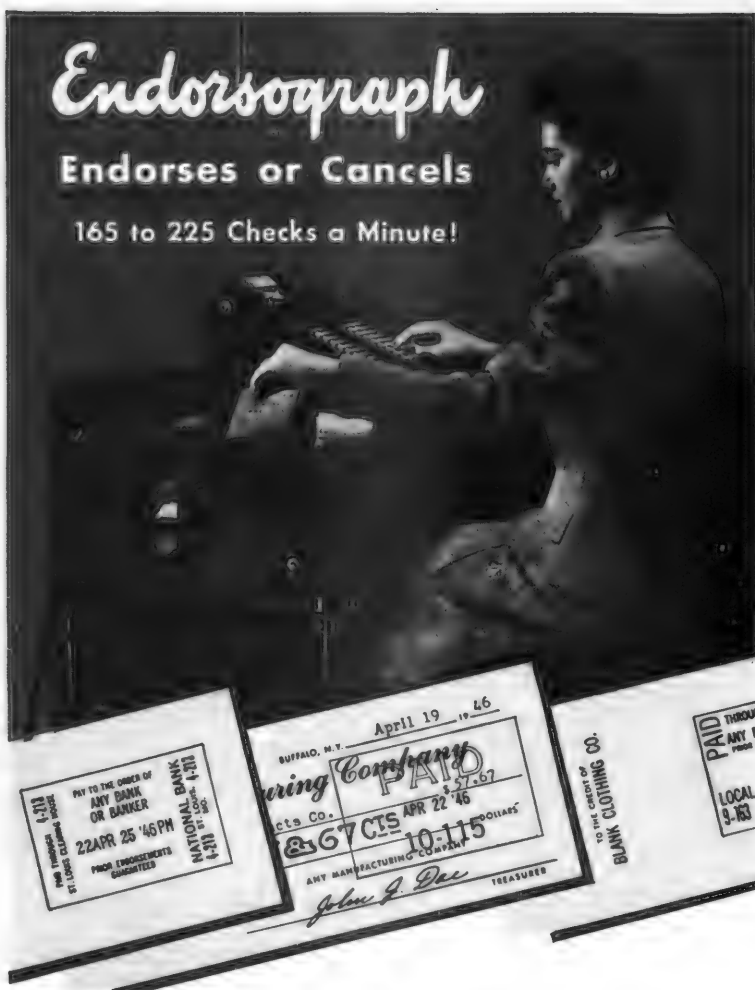


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maturity on such loans is limited to 25 years except that when the payments required by such a term are beyond the borrower's reasonable ability to pay the term may be as long as 32 years.

A further amendment extends indefinitely the authority of the FHA to insure Title I loans, which is now scheduled to expire June 30, 1947. Other amendments affecting FHA operations include permission for a temporary increase of \$1,000 in the maximum amounts of home mortgages where existing higher costs make such increase necessary. Redevelopment or housing corporations are added to the list of acceptable mortgagors under the rental housing provisions of the National Housing Act, and the per-room cost may be as high as \$1,800, as asked by the A.B.A.

Under Title IV, the requirement of economic soundness has been inserted in the bill with reference to the maximum mortgage insurable by the FHA on projects undertaken by mutual ownership and rental housing corporations. Educational or training institutions are added to the list of acceptable mortgagors when the project is undertaken for veterans.

Under Titles VII and VIII, the provision authorizing acceleration of the public housing program, on determination by the President that such acceleration is necessary, has been omitted.

The provisions in Title VIII for loans and grants by the Secretary of Agriculture have been rewritten in accordance with the recommendations of the Secretary, and now authorize three kinds of assistance by the Secretary: loans for dwellings on adequate farms, loans for improvement of potentially adequate farms, and other loans and grants for minor improvements. The public housing provisions of Title VIII remain essentially the same as in the earlier draft.

Home Building

The savings banks of New York State sponsored an exhibit at the National Modern Homes Exposition in New York City recently. A feature of the exhibit was a large chart showing the average down payments and monthly carrying charges on loans of various sizes. The banks also provided interested visitors with information about planning a home and the accumulation of the down payment.



BANKING



The Importance of Insulation

WINCHELL ROYCE

MR. ROYCE, *real estate editor of a New York newspaper, is former business editor of Newsweek.*

AS THE curve of building costs and the prices of homes continue to rise, lending institutions are becoming more and more concerned in the case of individual home buyers with the ability of purchasers to meet their monthly carrying charges.

Figures compiled by the Federal Housing Administration show that 87 per cent of the applicants who have sought home loans through that agency since January 1 are unable to pay more than \$60 a month for amortization of principal and interest, taxes, insurance and heat.

Particularly is this true in the case of the war veteran, who today is about the only individual permitted to buy a new house since promulgation of Veterans Housing Program Order No. 1. Officials of the Veterans Administration have estimated that 80 per cent of all veterans earn no more than enough to meet carrying charges of \$45 a month.

What this means is that the veteran who obtains a 100 per cent mortgage for a \$6,000 house under the GI Bill of Rights is stepping in over his head at the rate of \$10 a month, since amortization over 25 years at 4 per cent amounts to \$31.68 monthly with taxes, insurance and heat estimated at another \$24. Furthermore, the \$6,000 house is a rarity in the heavily-populated areas where the housing shortage is most acute; \$8,000 is closer to the average.

AND, as the appraisal departments of most mortgage lenders know, these houses are not of the best construction. Builders are inclined to skimp on hidden materials in order to keep their selling prices as low as possible.

Insulation is one of the items being skimmed on, and yet it can be a means of reducing the purchaser's carrying charges. Either no insulation is being installed in the new low-priced homes, or it is extremely thin and usually confined to the roof. In comparatively few instances are today's houses being given complete, "full-thick" insulation for both walls and roof.

From the mortgage lender's standpoint, insulation is all-important. In the first place, countless tests in identical homes in the same neighborhoods have shown that savings in the fuel bill will average about 40 per cent in the fully insulated house over the uninsulated one. In the northern zone of the country this amounts to about \$5 a month in the average small home.

Hence the lender who is concerned about his borrower's ability to meet his carrying charges can readily see that the insulated house provides a major means of

reducing the borrower's monthly budget for shelter.

Cost of insulating a small home is estimated by engineers to be approximately offset by the smaller heating plant and smaller amount of radiation required.

A variety of materials is being used for home insulation purposes today. Insulating boards are called structural insulation. Designed as sheathing boards, as a plaster base, or to provide the decorative interior wall finish, they also have insulating properties.

REFLECTIVE insulations consist of aluminum or other foil materials used individually or attached to the back of wall-board. They insulate by turning back heat from their reflective surfaces.

A widely used material for insulating houses is mineral wool, known as fill-type insulation. It is applied between wall-spaces as a barrier to the passage of heat. Mineral wool is a generic term used for insulation made of rock, slag or glass, formed by striking it in its molten state with a jet of live steam to spin it into fluffy wool-like fibers. It is installed in new homes in strips or batts up to four inches thick. In existing homes it is applied in loose or granular form through pneumatic pressure.

Shredded bark, expanded mica, sawdust, animal hair, cork, porous rocks, vegetable and wood fibers in various forms are also used for insulation. The balsam tree produces a wool-like insulation and several cotton products are also used in blanket or batt form.

The chief test of the desirability of an insulating material is its resistance to heat, fire, vermin, moisture and decay. Fire resistance is an economic factor which concerns the mortgage lender. Fill-type insulation provides an effective fire-stop in the hollow spaces of a home which are so often the avenue of a quick spread of flames. Incombustible fibers have a tendency to slow down or even stop roof fires which start from the outside.

INSULATION in side walls and ceilings reduces the number of times the interior of the house must be redecorated during the lifetime of a loan. This is because there is less movement of air through the walls to carry particles of dust along unevenly heated surfaces and because insulation reduces the amount of condensed moisture which catches dust. It is this air-circulation and condensation which causes the often-seen alternate light and dark streaks along lath and beam locations. With wallpaper and paint in good condition, the house naturally is a better mortgage risk, but of even more importance is the fact that, since redecorating costs as well as fuel costs must come out of the borrower's income, chances of delinquent payments are reduced.

BANKING NEWS

A.I.B. Expects 1,500 at Cincinnati Meeting; 'GI Aids to Be Stressed'

**June 10-13 Are Dates
of Institute Gathering**

A president, vice-president and four executive councilmen are to be elected at the 44th annual convention of the American Institute of Banking in Cincinnati from June 10-13. According to precedent established through the years the vice-president, George J. Greenwood, Jr., of The Bank of California National Association, Portland, Ore., is in line for election to the presidency.

David T. Scott, assistant cashier, First National Bank of Boston, has been president during the past year.

Garnett A. Carter, of the Fulton National Bank of Atlanta, has been nominated by the Atlanta Chapter for the vice-presidency. There are no other nominees for this post.

Mr. Greenwood has been active in Portland Chapter for 23 years, having served on many committees, as a member of the chapter's board of governors, as chapter president, and as a member of the Executive Council of the Institute prior to his election to the vice-presidency.

Mr. Carter has been active in Atlanta Chapter for 18 years, has served in all chapter offices and on all local committees, and on the Executive Council of the Institute.

Executive Council

Nominees for the Executive Council are as follows:

Alton P. Barr, of the Security Savings Bank, Birmingham, has served his chapter in many capacities, including membership on the board of governors for 11 years, as an instructor, and as educational director.

Walter D. Behnke, of the Old Kent Bank, Grand Rapids, has served his chapter in all the elective offices and as chairman of various committees.

Clarence W. Brown, of the American Trust Company, Sacramento, has been active in

(Continued on page 72)

A.B.A. Membership Now 95.7% of U. S. Banks; 165 New Members Added to List in 6 Months

Over 95.7 per cent of all banks in the United States are now members of the American Bankers Association, according to Robert L. Dominick, chairman of the A.B.A. Organization Committee, in a report for the six-month period ending March 31, 1946. The report shows that 15,635 banks, of which 15,498 are in the continental United States, representing 99 per cent of the banking resources of the nation, are now members of the A.B.A.

Mr. Dominick, president, Traders Gate City National Bank, Kansas City, Mo., reported that all banks in 16 states and the District of Columbia are now members. The 100 per cent states are: Arizona, Arkansas, Colorado, Delaware, District of Columbia, Florida, Idaho, Louisiana, Nevada, New Mexico, North Carolina, North Dakota, Oregon, Utah, Virginia, Washington, and Wisconsin.

165 New Members

"Despite the small number of non-members at the beginning of the year, the Organization Committee was successful in enrolling 165 new members including six banks from United States territories and foreign countries," Mr. Dominick said.

Mr. Dominick attributed the membership record made by his committee to A.B.A. activities, and particularly to the meetings being held in every section of the country to bring all bankers into active participation in the national program.

"Although we aim for a membership of 100 per cent in every state, I think we should

recognize that this objective may never be attained," Mr. Dominick said. He stated, however, that efforts will be continued to enroll all of the remaining non-members because "we still believe it is important that we help these banks run the best possible institutions, and the addition of the remaining non-members will add strength to the representative influence of the American Bankers Association."

Membership Workers

George Boyles, A.B.A. vice-president for Illinois and Max Stieg, regional vice-president, led the country by enrolling 19 new members in that state.

A.B.A. Vice-president for Nebraska Wade Martin and Regional Vice-president Dick Trefz enrolled 17 new members since Sept. 1. In Texas 14 new members were enrolled due to the work of A.B.A. Vice-president for Texas Murray Kyger and Regional Vice-president Tom O'Brien.

Delaware 100 Per Cent

During this period Delaware became 100 per cent for the first time in its history due to the efforts of State Vice-president Altemus.

Vice-president Charles W. McKinstry and Regional Vice-president Nick Welle were responsible for 12 new members in Iowa. Eleven new members were enrolled in Alabama by the constant work of State Vice-president T. J. Cottingham.

Regional Vice-president Min-ton and State Vice-president Elam enrolled nine new members in Missouri.

State Bank Expenses Up 13.7 Per Cent in 1945

Salaries and Interest Among Increased Items

Total current operating expenses of the 8,930 state chartered commercial banks in the United States amounted to \$740,120,000 during 1945, according to a report published by the A.B.A. State Bank Division.

The total was an increase of \$89,197,000 or 13.7 per cent over 1944. Despite the rise in dollar amount, however, the total was 63 per cent of the \$1,174,867,000 total gross earnings of the banks, compared with 63.6 per cent in 1944.

Principal increases in current operating expenses of state banks occurred in salaries of officers and employees. Salaries and wages for 1945 were \$344,786,000, compared with \$305,438,000 in 1944.

Another increase was in the interest paid on time and savings deposits which aggregated \$113,701,000, an advance of \$23,631,000 or 26.2 per cent above 1944. This was the second consecutive year this item showed an increase since 1934, the report states. Other current operating expenses totaled \$228,694,000 in 1945, an increase of \$25,391,000 or 12.5 per cent.

Council Urges Banks to Aid in Food Collection

A resolution urging banks to assist the Cooperative for American Remittances to Europe, Inc. (CARE) in the collection of food packages for

(Continued on page 72)

G. J. Greenwood



D. T. Scott



G. A. Carter





R. M. Hanes



W. L. Hemingway



M. A. Brown

A.B.A.'s Work for Banks Reported to Council

Executives Hear Reports on Association Services

Bank services to war veterans, the loan to Britain, credit for small business, bank activities on behalf of agriculture, and the general work of the American Bankers Association were subjects discussed at the 1946 spring meeting of the A.B.A. Executive Council at French Lick, Ind.

The Council, as reported in last month's **BANKING**, also drafted a four-point monetary program as a suggested means of avoiding further inflation.

"In the wake of the war," said Frank C. Rathje, Association president, in opening the sessions, "many new and pressing problems have arisen that touch the lives of all of us. Many of these problems affecting our own business must be solved."

Agricultural Commission

Vice-president C. W. Bailey reported on the wide and varied activities of the Agricultural Commission. He said: "It will take all our effort, intelligence and resources to accomplish the double-headed task which confronts us—on the one hand, to work with the banks to do an increasingly better job, and on the other to see that recognition is given, so that when politicians and so-called 'farmers' friends' come up with some new-fangled proposal which would substitute government credit for bank credit, we can call upon an informed, fair-minded group of farmers and other citizens to help us meet the attack."

The report of the Committee on Service for War Veterans was presented by Chairman Chester Davis, vice-president

of the Chicago Title and Trust Company.

"We feel very strongly," said Mr. Davis, "that from now on our bankers should devote more and more attention to providing sound advice and helpful guidance to veterans, far beyond the limits of accepting or declining an application for a guaranteed loan. In these hectic days of chaotic housing, employment and business conditions, the bankers' knowledge, experience and good judgment can be of invaluable assistance to that great group of people who are attempting to rebuild lives that were so violently disrupted by the war."

Loan to Britain

W. Linn Hemingway, of St. Louis, chairman of the Advisory Committee on Special Activities, explained the background of the proposed loan to Britain. The Council then approved a statement on the loan opening with these words:

"The adoption by the Congress of the Joint Resolution ratifying the agreement with Great Britain of Dec. 6, 1945, is in the interest of the United States."

The statement then went on to say that the production and exchange of services in the greatest possible quantity is an effective preventive of inflation and would also help to avoid a deflationary collapse.

"In the efforts this country is making to establish international peace and well-being," the statement concluded, "we need partners on whom we can rely, who share our objectives. Britain has proved herself a staunch and loyal partner. To-

day Britain needs our help to rebuild her strength—to make her a more effective partner. The ratification of this agreement will help supply that need and will also hearten her spirits at a critical time. It is in our interest so to strengthen Britain."

Small Business

The report of the Small Business Credit Commission, under the chairmanship of Robert M. Hanes, included the results of a survey showing the extent to which city correspondents participate with country banks in the making of loans. The figures obtained from 77 Reserve city banks show that they had shared in 1,285 loans aggregating \$720 million during a period of nine months in 1945. The survey showed also that the city banks had undisbursed commitments to participate in 175 more loans aggregating over \$140 million with about \$30 million in loans still under negotiation. The committee urged greater use of the correspondent relationship in extending credit.

Other Reports

The Council heard reports covering a wide range of Association activities, including the following commissions, in addition to those already mentioned: Agricultural, Bank Management, Commerce and Marine, Country Bank Operations, Credit Policy and Economic Policy. There were reports also by the American Institute of Banking, National Bank Division, Savings Division, State Bank Division, Trust Division, and the State Association Section.

A.B.A. Publishing Three Consumer Credit Books

Include Cost Analysis, Farm Equipment Loans

Three A.B.A. publications dealing with consumer lending, which were recently completed or are nearing completion, are; "Analyzing the Cost Factors of Instalment Lending," "Farm Equipment Financing by Banks," and "Nationwide Consumer Collection Directory."

The study covering instalment lending cost factors is designed to help prepare the banks for a further increase in consumer lending in the coming year and for the keen competition which may have a tendency to influence interest rates. It was prepared by the Consumer Credit Committee and Postwar Small Business Credit Commission.

This book was completed about June 1 and will be sent to members only upon request.

Farm Booklet

The 32-page "Farm Equipment Financing by Banks" booklet will cover the following main topics: The applicant, credit statement, dealer contracts, terms, interest and finance charge, finance forms, chattel mortgage, conditional sale contract, dealer reserve, reserve distribution, collections, payment record, payments collected by dealer, individual ledger card, collection follow-up, repossession and disposition, repurchase of contracts by dealer, termination-dealer's liability, general, evaluating the dealer, methods, trust receipt, checking and sale of equipment, and insurance.

This book was prepared cooperatively by the Agricultural Commission, the Consumer Credit Department and the Postwar Small Business Credit Commission. It was sent to all members about June 1.

The 400-page collection directory will include: (1) Names of 12,000 banks (arranged alphabetically by states, cities, and towns) which will be engaged in some phase of consumer instalment credit; (2) the classifications of consumer loans each bank will extend; (3) symbol indicating 8,000 banks which have agreed to cooperate in the collection service on a reciprocal basis.

A.I.B. Convention

(Continued from page 70)

both Oakland and Sacramento.

Christian Ries, of the Federal Reserve Bank, Minneapolis, has been active in his chapter for 16 years, having served as a member of the board of governors, vice-president, president, and educational director.

All four have served as Associate Executive Councilmen.

Eight regional contestants will participate in the national public speaking contest for the \$1,100 A. P. Giannini Educational Endowment prizes. The theme is "Broadening Banking Services to the Community."

A feature of the contest will be a brief program honoring the founder of the educational endowment and commemorating its twentieth anniversary.

Two nationally known figures have accepted invitations to address the two general sessions of the convention. Rev. William H. Alexander, pastor of the First Christian Church, Oklahoma City, Okla., will speak at the opening session, and Dr. Clark G. Kuebler, president, Ripon College, Ripon, Wisconsin, will be the principal speaker at the closing session.

During the three-day meeting, 1,500 out-of-town representatives of the various A.I.B. chapters and study groups will discuss the Institute's postwar educational program.

Four Staff Promotions

Four promotions of A.B.A. staff members were made at the annual spring meeting of the Executive Council, it is announced by Executive Manager Harold Stonier.

John L. DeJong, who has been with the A.B.A. News Bureau for two years, was made assistant director of that department. He was formerly with the Associated Press and with country newspapers in New Jersey and the Middle West.

G. Edwin Heming, promoted to assistant director of the Advertising Department, joined the staff two years ago after a long experience in banking and advertising. He is a graduate of the Nassau Chapter of the American Institute of Banking.

Robert G. Taylor, named assistant to the A.B.A. economist, is a former Washington newspaper man. He was associated with the A.B.A. News Bureau for four years before entering the U. S. Navy. He recently returned after two years of duty in the South Pacific area.

Carroll A. Gunderson was advanced from assistant secretary to secretary of the Credit Policy Commission. He joined the staff more than two years ago as staff director of the Small Business Credit Commission and continues in that post. He was formerly vice-president and director of the Bank Credit Corporation, St. Paul, and later in charge of the midwestern territory of the Credit Utility Company of New York. He is past president of the St. Paul Chapter, A.I.B.



J. L. DeJong



R. G. Taylor



G. E. Heming



C. A. Gunderson

Food Collection

(Continued from page 70)

shipment to the hungry people abroad was passed by the Executive Council of the A.B.A.

In a letter advising the banks of this action, Executive Man-

ager Harold Stonier said that CARE had requested bank assistance in (1) selling cashier's checks to those who want to buy food packages; and (2) in furnishing application blanks and descriptive circulars to prospective donors.

CALENDAR

American Bankers Association

June 10-13	American Institute of Banking Convention, Hotel Gibson, Cincinnati, Ohio
June 17-29	Graduate School of Banking, Rutgers University, New Brunswick, New Jersey
Aug. 7-9	20th Regional Trust Conference of the Pacific Coast and Rocky Mountain States, Alexandria Hotel, Los Angeles, California
Sept. 22-25	Annual Convention, Stevens Hotel, Chicago
Nov. 7-8	15th Mid-Continent Trust Conference, Drake Hotel, Chicago

State Associations

June 3-5	Colorado, Stanley Hotel, Estes Park
June 4	Connecticut, New Haven Lawn Club, New Haven
June 7-8	Vermont, Woodstock Inn, Woodstock
June 10-11	Idaho, Boise
June 12-13	Minnesota, Nicollet Hotel, Minneapolis
June 12-14	Pennsylvania, Bellevue-Stratford Hotel, Philadelphia
June 12-16	District of Columbia, The Homestead, Hot Springs, Virginia
June 13-14	Washington, Davenport Hotel, Spokane
June 15	South Dakota, Alex Johnson Hotel, Rapid City
June 17-18	Oregon, Hotel Benson, Portland
June 17-18	North Dakota, Gardner Hotel, Fargo
June 19-20	Wisconsin, Schroeder Hotel, Milwaukee
June 19-20	Connecticut, Farm Credit Conference, Litchfield
June 19-21	Kansas, University Clinic, University of Kansas, Topeka
June 20-22	Virginia, Cavalier Hotel, Virginia Beach
June 21-22	Utah, Grand Canyon National Park, Arizona

June 21-23	Maine, Poland Spring House, Poland Spring
June 24-25	Montana, ** Canyon Hotel, Yellowstone National Park
June 24-25	Wyoming, ** Canyon Hotel, Yellowstone National Park, Montana
June 27-28	Michigan, Grand Hotel, Mackinac Island
Aug. 12-17	New York in cooperation with New York State College of Agriculture, Agricultural School for Bankers, Cornell University, Ithaca
Sept. 9-11	Iowa, Hotel Ft. Des Moines, Des Moines
Nov. 8-9	Arizona, Tucson
Nov. 11-12	Nebraska, Omaha

Other Associations

July 28-Aug. 10	Central States School of Banking, University of Wisconsin
Sept. 8-11	Savings Banks Association of Maine, Marshall House, York Harbor
Sept. 19-21	Savings Banks Association of Massachusetts, New Ocean House, Swampscott
Sept. 30-Oct. 2	Robert Morris Associates, New Ocean House, Swampscott, Mass.
Sept. 30-Oct. 2	Mortgage Bankers Association of America, 33d Annual Convention Netherland-Plaza Hotel, Cincinnati, Ohio
Oct. 7-10	Financial Advertisers Association, San Francisco, California
Oct. 14-16	Savings Banks Association State of New York, Chateau Frontenac, Quebec, Canada
Oct. 21-23	National Association of Bank Auditors and Comp-trollers, Oklahoma City, Oklahoma
	**Joint Meeting

Methods and Ideas



Training Future Executives

KENNETH W. McLAREN

MR. McLAREN is assistant to the secretary of the Committee on Service for War Veterans, American Bankers Association.

DESPITE the current surplus of bank employees, this would seem to be a good time for banks, large and small, to take an inventory of their present executive manpower. Today they have a golden opportunity to rebuild their personnel structure in the light of future requirements. The achievement of this objective in a competitive market, however, requires a program that will challenge the interest of men who are qualified and capable of carrying on the tradition that has given the American banking system its strength and sound leadership.

While the National City Bank of New York is, of course, one of the largest banks in the country, its approach to the problem is an example of the job's importance and contains ideas which may be used in banks large and small. In analyzing the bank's current personnel situation L. B. Cuyler, assistant vice-president in charge of personnel, realized that the institution faced two important responsibilities. First, the depression and war years made it impossible for the bank to offer much of an opportunity to a sufficient number of potential young men. As a result, it was his opinion that administrative-position personnel requirements would reveal future vacancies that his department should be providing for today. In the second place, Mr. Cuyler was conscious of the responsibility of the bank toward its own and prospective veteran employees in their rapid reestablishment in positions they would have held had they not been inducted into the service of their country.

THE achievement of these objectives required a survey of the bank needs and an additional, general, executive training program geared to fit the needs of the bank that would provide a challenge to the prospective trainee.

Under the supervision of the bank's personnel committee a six-week personnel inventory was conducted with a view to determining:

- (1) Executive requirements for the next 10 years due to expansion, retirements, and contingent reserves,
- (2) The amount of trained, junior executive manpower on hand, returning from service, or available from these sources for further training, to fill the anticipated needs,
- (3) Future quality vacancies for which no men had been earmarked or trained.

THE results of this survey revealed a definite number of vacancies available during the projected period for personnel possessing executive qualifications. Despite obvious obstacles inherent in the program, the committee approved the findings, authorized the establishment of a bank-financed "emergency" training program, and supplied the support of top management for the indoctrination of middle management. At regular and special meetings throughout the succeeding month, the bank's president, W. G. Brady, Jr., and the vice-president and cashier, N. C. Lenfesty, carried the program's objectives to the staff officers, branch managers, and head office operating departments.

The personnel department budget for trainees' salaries was discarded in favor of an outright assignment of new employee-trainees to a department where the survey indicated a vacancy. The selection of trainees and the training program itself thereby became a closely knit cooperative venture between the personnel department and the other departments in the bank. These other departments (head office operations, comptroller's, bond administration, and branch organization) absorb the trainee's salary, assign a junior departmental officer to the trainee as an advisor "godfather," and reassign the trainee to the bank's personnel department for training.

For every new veteran employee assigned to a department, a non-veteran or returned veteran from that same department is also assigned to the training program, thus balancing the trainee personnel. It is anticipated that this departmental assignment will also serve to reduce the trainee mortality rate by supplying a more definite training objective.

Emphasis has been placed upon the need for a vital program of training that would operationally qualify men in terms of the bank's future needs for executive personnel. Tailormade to suit the individual trainee's experience and knowledge, the maximum training period of 18 months is divided into five training units. Four of these units—branch operation, credit, comptroller's and head office operating departments—are of three months' duration, whereas a six-month period is devoted to training in the bank's extensive foreign department. Trainees are rotated between these departments, careful scheduling being required to prevent overburden-

ing. Not more than 60 men will be allowed to participate in the program at any given time.

In order to offset the bad features of the rotation system and increase the interest of the trainees, the bank established a series of weekly meetings (from 4 P.M. to 5:30 P.M. on Thursdays). At these meetings, in the presence of the assembled trainees, officers of the department to be discussed, members of the speakers' department, and representatives of the personnel department, one trainee each week who has concluded his work in one of the five training units delivers a one-hour talk and

answers questions from the floor on the work of that department. Knowing that a trainee's work in the training unit can be readily appraised by such a meeting, the bank feels it has attained a sound test by the requirement of these sessions. In addition, these meetings serve as a teaching guide to other trainees. Dinner conferences were discarded in favor of the daytime hours because of the availability of more officers at this time and because it keeps the training program on a strictly working hour basis.

Evening courses of study have been postponed until Fall. This enables the trainee-veteran to adjust his personal affairs before the assumption of courses at the American Institute of Banking or at local colleges. A bibliography of books for individual study is made available to all trainees.

Insofar as an applicant's qualifications are concerned, the bank is primarily searching for evidences of the individual's interest in banking and assumption of responsibility in school, interim civilian occupations, and armed forces experience. Intangible qualities, such as character, personality, and perseverance are emphasized over banking and armed forces accomplishments. As a matter of fact, the bank earnestly tries to deemphasize service connections and achievements.

SCREENING of both present, returning GI bankers, and new veteran employee applicants for the program is handled cooperatively by the personnel office and banking department for which the applicant is being considered. Although college degrees predominate among the trainees, the bank does not stipulate that a degree is required. For certain departments, however, a knowledge of accounting or other specialized subjects may be necessary. The age limit is 35. The average age of the present trainees is from 28 to 29 years. The salary scale for the trainee is commensurate with the individual's background, current position and responsibilities, and at a level high enough to attract the men desired by the National City for the program.

At the start of the program, six months or so ago, the bank considered steps that might be necessary to stimulate highly qualified applicants toward the banking field. No such stimulation has proved necessary. As a matter of fact, many more qualified men have applied than can possibly be absorbed, and the fast tempo of demobilization has put the program considerably ahead of its schedule.

Central to West Coast People



These people mean business—business for you. For they're part of the regional shift making the West Coast such a phenomenal market.

Watch California's population, for instance: 6 million in 1940, 7 in 1942, 8 in 1944. Now well over 9 million at latest estimate. And still they come—to this center of the West Coast. Naturally, they pull your business interest West, too.

Here, you'll need the right bank. At geographic, strategic and economic center—Anglo Bank invites your business. Correspondents find valuable our specialized Western experience since 1873, our 22 offices in important central markets, resources of over half a billion, and established connections. Altogether

big enough, but not too big, for special attention to your affairs...at West Coast center.

ANGLO
CALIFORNIA NATIONAL
BANK

Head Office:
1 Sansome Street
San Francisco, 20

Other offices in
San Francisco
Oakland
Berkeley
San Jose
Palo Alto
Bakersfield
Chico
Hanford
Lemoore
Modesto
Red Bluff
Redding

Member Federal Deposit Insurance Corporation

Methods and Ideas The Overdraft Problem

WILLIAM F. DEUSER

MR. DEUSER is with the First National Bank of Kansas City, Missouri.

PERHAPS 90 per cent of the overdrafts paid by banks are unintentional errors caused by customers. But this fact does not permit the bank to be any less cautious in supervising the payment of overdrafts; rather, is it an indication that the bank must be ever watchful.

The number of overdrafts paid each day should be closely watched because an excessive number would indicate a lax control by the bank. Then, too, when a bank must consistently return a great number of its customers' checks due to insufficient funds, it is an indication of an undesirable class of accounts, and far from good advertising for any bank.

Is the bank really doing the customer a favor by paying his overdraft? Overdrafts might give an unfair credit rating to the customer by indicating carelessness and inconsistency in his business and personal affairs. The bank examiner may become prejudiced toward the customer as a poor credit risk should he request a legitimate loan. Thus overdrafts impair credit rating, not only with the bank but with a customer's business associates to whom his checks might be returned because of insufficient funds.

WHAT are some of the causes of overdrafts? Here are some: Carelessness; error in bookkeeping on check stubs; delay of mail deposit deliveries; clearing of checks sooner than anticipated; statement unreconciled with the bank's figures at the end of each month; two or more people writing checks on the same account without collaborating; failure to record checks written and deposits made; anticipation of deposit funds not received; customer's knowledge that the bank will take care of overdrafts because of his credit standing and business connections; post-dated checks.

What can be done to reduce the number of overdrafts?

(1) Customers should be encouraged to keep accurate records of checks written and deposits made. Special attention should be given to records when two or more people are using the same account.

(2) Build up balances in excess of needed current funds. If a customer is unable to do this, a regular accredited checking account should not be allowed. The thrift checking account should be recommended when the bank has a strict policy of absolutely no overdrafts regardless of the amount involved.

(3) Reconcile the bank's statement at each month.

(4) Have actual funds in the bank before writing checks, allowing time for collection of funds.

(5) Allow time for mail deposits to reach the bank.

(6) Make out deposit tickets clearly in the exact manner in which the account is carried, so that it will not be confused with a similar name account.

(7) Write checks carefully and clearly with signature exactly as given to the bank on specimen signature card. If the signature is illegible, printed checks should be purchased. (This caution is for cases where customer has two or more accounts.)

(8) Not paying checks of overdrawn accounts and returning them will sometimes make the customer more careful.

(9) Ask that the customer cooperate by keeping careful records.

(10) Charge a fee for every returned insufficient check.

HERE are some steps to be taken by the person in charge of paying overdrawn accounts:

Determine the genuineness of the signature on the account to which it is being charged.

Check the customer's credit rating.

See if he has other accounts in the bank, such as savings, business, special and trust. (Guardian, administrator, executor, or agency accounts should not be considered as an affiliated account for personal account.)

Check deposit records for regular amount deposited and time deposited.

Check the usual balance carried and the length of time the account has been carried with the bank.

Check to see if he is a chronic overdrawer.

Check provisions allowed by the credit file and whom you should notify on business accounts authorizing employees or agents to draw on funds not on deposit.

Notify proper persons immediately advising them of the amount of overdraft and request immediate covering. This notice helps to straighten out accounts where errors have occurred and to trace lost mail deposits or detect checks charged to wrong accounts.

Failure to reach persons who are overdrawn and to talk over the situation with them makes decisions difficult for the bank officer.

If funds are not readily available for the customer to cover an overdraft, where he has miscalculated his balance, a short time loan should be arranged. But overdraft accounts should not be allowed to stand on the bank's books for any length of time.

Should small sized overdrafts—that is, those under \$10—be less strictly dealt with? These take about as much time to work out as those of a larger amount. Although the bank feels inclined to be lenient, frequent offenders nevertheless should be urged to pay closer attention to their balances, or their checks should be returned regularly if the practice is not discouraged.

CHECKS that have come every year for 100 years



SINCE its founding 100 years ago, the Pennsylvania Railroad has paid to its employees, stockholders and bondholders approximately twelve and a half billion dollars.

Never once over that century has it failed to meet a financial obligation when due.

To its employees the Pennsylvania has paid in wages a sum exceeding ten billion dollars.

To stockholders, it has paid a cash return in every year since 1847—a total of a billion and a quarter dollars.

To bondholders—individuals, and insurance companies, savings banks, trust companies, representing the savings of many millions of individuals—it has paid in interest more than a billion dollars.

From the beginning, the Pennsylvania has been a railroad built by the people for the people. The money to construct it as the shortest route between East and West came from people of all walks of life in the form of subscriptions to shares of \$50 each, payable in ten \$5 installments. Today, with 13,167,754 shares outstanding, the average holding is only 61 $\frac{1}{4}$ shares, and of the 214,995 stockholders of the railroad, 106,139—or more than 49%—are women.

Thus, not only has the Pennsylvania Railroad served the American people through continually improving transportation at low cost—but through wages, dividends and interest (plus huge purchases of materials in the area served)—it has contributed vitally to the prosperity of communities and to the welfare and economic security of many thousands of American citizens.

PENNSYLVANIA RAILROAD

1846



1946

ONE HUNDRED YEARS OF

TRANSPORTATION PROGRESS



BRIEFLY TOLD

JOHN J. McCANN

Romance of Industry

THE PHENIX NATIONAL BANK OF PROVIDENCE, Rhode Island, sponsors a weekly radio broadcast that really rings the bell.

Since June 1945 the bank has been attracting a wide audience and has received many indications of interest on its "Romance of Rhode Island Industry," a program which is just what its title suggests. Each week an interesting story on a different institution or industry is presented. The scripts are later printed in booklet form for distribution.

The sketches cover a wide diversity of business activities: textile companies, iron foundries, public utilities, insurance, machine tools, a sprinkler manufacturer, newspapers, silversmiths, etc. There are occasional sketches of such Rhode Island institutions as Brown University, Rhode Island Hospital, the Rhode Island School of Design, the Providence Athenaeum.

On the last page of each printed booklet appears this statement by the bank:

"For one hundred and ten years the Phenix National Bank of Providence has been a factor in the forward progress of Rhode Island industry. This present series of short radio talks is being inaugurated as an additional service to the community.

"Each Thursday at 8:15 P.M. over station WEAN this bank is presenting the story of a leading Rhode Island business concern. It is hoped that these broadcasts will be interesting and informative, as well as serve as a reaffirmation of our common faith in the free enterprise system.

"The Phenix National Bank is grateful for the cooperation of the commercial and industrial concerns who have made this program possible. They have offered an important contribution to successful business enterprise. And in their story is contained the romance of Rhode Island industry."

New Real Estate Service

A land development subdivision and selling service which includes complete handling of all details from raw land to fully improved lots and finally the selling of the individual subdivided parcels, is now available at CALIFORNIA TRUST COMPANY.

The department will be headed by Harold E. Phelps, well known realty man who has been with California Trust for over 10 years.

The service will include engineering, installing improvements, filing recording subdivision maps, preparing real estate commissioner's questionnaire, imposing proper restrictions and architectural controls, erection of tract office, installation of signs, flags and other merchandising aids, a sales force, the issuing of deeds and contracts, handling of collections, payment of taxes and disbursement of all funds in accordance with the trust agreement.

"In offering this service," said Arch W. Anderson, chairman of the board, "California Trust Company is filling the need of many land holders owning well-located acreage in areas where a demand for subdivided lots is apparent.

"It was designed and put into operation after a careful study of the need for homesites in Los Angeles county. The critical shortage of housing and the buying enthusiasm of the public in purchasing available subdivided homesites has made it imperative that new subdivisions be placed on the market."

The new service is available to land owners, owners of estates, banks, corporations and trust companies.

Museum of Gold

THE BANK OF THE REPUBLIC in Bogotá, Colombia, has opened a museum of more than 5,000 gold objects made by Colombian Indians before the Conquest, says the *Bulletin* of the Pan American Union. The valuable jewels are on display for tourists, anthropologists, business men, and other visitors, in the hall of the bank's board of directors.

The bank began its museum by acquiring the Arango collection in Medellín and the Vélez collection in Manizales. Then it added other smaller collections and all the authentic pieces that its agents throughout the republic could get from treasure hunters.

"What was first the excellent idea of saving these irreplaceable objects from being exported or melted down for the use of present-day jewelers or dentists," the *Bulletin* asserts, "later turned into plans for the organization of a museum whose collections should be classified and presented according to modern methods. Suitable rooms are being constructed in the bank's building, situated in the heart of Bogotá, to guard and exhibit this wonderful collection.

"The bank has published in a handsome edition a preliminary catalog which through brief descriptions and 50 color plates presents some of the most important objects characteristic of the various civilizations that cultivated the technique and art of metal-working in Colombian territory."

Powder Room

THE BANKERS TRUST COMPANY, New York, has installed a haven for women clients where they can write checks in comfort, relax with a magazine while awaiting an appointment, put on fresh make-up, and meet their friends. This

(CONTINUED ON PAGE 81)



A corner for women customers of the Bankers Trust Company

WHEREVER YOU GO, YOU SEE BURROUGHS MACHINES

Ever since introducing the first practical adding machine, Burroughs has led in anticipating the figuring and accounting machine needs of business. New adding, accounting, calculating, statistical and cash handling machines and features have constantly been developed to meet new requirements and to speed up and simplify office routines. This leadership, made possible through years of continuous, close association with all lines of business and industry, is an important reason why you see Burroughs machines wherever you go.

BURROUGHS ADDING MACHINE COMPANY • DETROIT 32, MICHIGAN

This installation of modern Burroughs Accounting Machines in the offices of the Coca-Cola Bottling Co., Chicago, is just one of thousands to be found in all types of business and industrial enterprises throughout the world.

1st
Burroughs
IN MACHINES
IN COUNSEL
IN SERVICE



FIGURING, ACCOUNTING AND STATISTICAL MACHINES • NATIONWIDE MAINTENANCE SERVICE • BUSINESS MACHINE SUPPLIES

JEEPS

to South America

These Jeeps, on their way to Colombia, are the first large commercial shipment to be made since the end of the war.



Central Hanover's Foreign Department brought the South American distributor and American manufacturer together—and Central Hanover's Letter of Credit financed the shipment.

Whether your interest is in exports or imports, you will find at this Bank every facility for handling your foreign trade transactions *in any part of the world.*

We welcome inquiries about your specific problems in the foreign field.

CENTRAL HANOVER BANK AND TRUST COMPANY

NEW YORK

London Branch . . . 7, Princes Street, E. C. 2



MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

BRIEFLY TOLD—Continued

powder room, located in the bank basement, has been decorated in gray and yellow. A triple-mirrored, semi-circular dressing table, fitted with lucite accessories, fills one corner of the room. Two dressing-table pouffes, two easy chairs and an ottoman, covered in a tweed-like fabric of yellow and brown, provide seating. Chinese figures have been converted into dressing table lamps, and Wedgewood urns of basalt into two more lamps.

Hospital Banking

At the request of the Veterans Administration and the U. S. Treasury Department, THE BANK OF VIRGINIA, Richmond, recently opened banking facilities at the McGuire Hospital of the Veterans Administration near Richmond. This is the first installation of its kind in any Veterans Administration hospital in the United States. The office will be operated by Louis Porter Seay, Jr., of Richmond, who returned recently to the bank after nearly four years of Army service. Banking service will be available to all patients and staff of the hospital.

"You and Your Bank"

CALIFORNIA BANK, Los Angeles, recently published a new employees' manual, "You and Your Bank." The attractive pocket-size book contains a brief history of the bank, describes the functions of the various departments, and outlines the policies governing the bank's relationships with its customers and with its employees.

Bank Recruiting Station

A new angle in the cooperation of banking with the armed forces was the invitation extended by THE AMERICAN NATIONAL BANK OF KALAMAZOO to the United States Army to maintain a branch

Returned servicemen of the American National Bank of Kalamazoo and three recruiting officers. Dunlap C. Clark, the bank's president, is standing in front of the flag



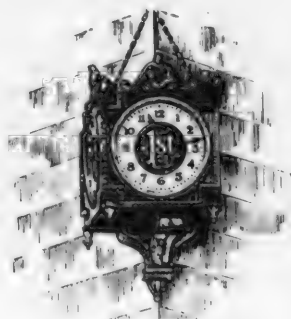
recruiting station in its lobby during Army Week, April 7 to 14. Open during regular business hours, the station enlisted five recruits during the period. The bank supplemented the effort with a sign on its bulletin board in the building lobby, outside the banking quarters, urging public support.

Allotment Savings Plan

THE NEW YORK SAVINGS BANK is initiating a new allotment savings plan to make it easier for employees to accumulate money. An employee informs his employer of the amount he wishes to

save each payday. The authorized deduction is sent by the employer direct to the bank where the amount is credited to the employee's account. A new feature is that each employee receives an identification card which simplifies procedure in making withdrawals. Also, every three months a quarterly bank book statement, in a sealed envelope, is given to each participant. Extra deposits or withdrawals can be made by mail if desired.

"The plan is another step in the fight against inflation and should improve employer-employee relationships," ac-



"First" for Banks

FOR more than 80 years promptness, efficiency, and friendly contacts have characterized The First National Bank of Chicago relationship with correspondent Banks.

These qualities have been developed by an intimate knowledge and appreciation of the problems and the needs of out-of-town banks. How successfully The First of Chicago has met the requirements of correspondent banks is attested to by the ever increasing number of banks that take advantage of the complete facilities available to them at The First.

Your bank is cordially invited to make this bank your Chicago correspondent.

The First National Bank of Chicago

Growing with Chicago and the Nation Since 1863

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

cording to William G. Green, president of the bank.

Public Service Broadcast

THE FARMERS & MERCHANTS NATIONAL BANK, Winchester, Virginia, sponsors an unusual radio program. Now in its second year, the 15-minute broadcast is devoted to promoting various civic, social, religious or fraternal organization aims. Commercials are strictly institutional, and most often opening and closing credit lines constitute only mention of FARMERS & MERCHANTS. When public service activities have a lull, the program features light concert music.

"A Manual for Veterans"

THE AMERICAN NATIONAL BANK of Nashville has published a 19-page booklet, "Manual for Veterans," which is "a guide to many of the rights and benefits available to veterans of World War II, including amendments of December 28, 1945." The booklet answers in laymen's terms the major questions of the returning serviceman.

"Understanding Your Bank"

THE UNION & NEW HAVEN TRUST COMPANY, New Haven, Connecticut, puts out a monthly pamphlet exploding popular and prejudicial myths on the

general subject of banking. The misconception is stated first, then the true version. This is an example:

"Misconception: That 'it must be wonderful to have "banking hours" —that is, work only from 9 to 3.

"The Fact: Work starts at The Trust Company at 8:30 A.M. After the bank closes at 3, from one to three hours are required to finish up. The staff theoretically operates on a 40-hour week, but actually not a month goes by without overtime; in a year it will total hundreds of hours. Furthermore, many officers average nearer a 50-hour week than a 40-hour week."

Flag Booklet

A 32-page booklet containing reproductions in full color of the flags of each state and territory is being distributed by the BALTIMORE NATIONAL BANK, Maryland. The booklet gives the population of each state, its capital, floral emblem and the date of admission to the Union. Similar information is given for the eight territories and possessions. It is being given away in connection with a display of flags on the banking floor. A photograph of the display appears in the booklet.

Mortgage Finance Course

An educational course in mortgage banking and real estate finance for younger men will be established this year by the Mortgage Bankers Association of America in cooperation with the Graduate School of Business Administration of New York University.

A two-weeks training course is planned for early Fall in New York followed by a similar course in 1947 which students will take to get a completion certificate. Courses in the economics of urban real estate, valuation and appraising will be given.

During the last two days, an addi-
(CONTINUED ON PAGE 84)

Eric Johnston, left, retiring president of the Chamber of Commerce of the United States, hands the gavel to his successor, William Jackson, of Boston



PRESS ASSOCIATION
BANKING



Our Library Can Serve You, Too!

Yes, the extensive private reference library of Mercantile-Commerce is at the service of any correspondent of this bank. It's available for the presentation of bibliographies, or to compile information on financial subjects.

It serves as a lending library, too, or will act as your agent in the purchase of any book you may wish to buy.

Here's just another of the unusual, yet extremely valuable services provided by Mercantile-Commerce.

MERCANTILE
Bank and
ST. LOUIS 1



- COMMERCE
Trust Company
MISSOURI

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

HERE'S THE SERVICE

THE NATION'S BANKS

USE MOST*

Portfolio Analysis

[PERSONAL CONSULTATION IS PART OF
THIS SERVICE AT MANUFACTURERS]

Thousands of correspondent banks are now taking advantage of the service offered by our investment advisory division. Its corps of specialists is trained to have an intimate knowledge of banking investment problems.

They will prepare an analysis of your bond portfolio in relation to your overall banking position. Particular attention will be given to your liquidity needs, your tax status, and other similar problems of present-day banking.

Your inquiries are invited.

A partial list of our services includes: *Collection of checks, notes, drafts and other items, both foreign and domestic. Commercial Letters of Credit. Foreign Remittances. International Banking Facilities. Credit Information. Investment Portfolio Analysis and Advisory Service. Purchase and sale of United States Government, State and Municipal Bonds. Safekeeping of Securities. Complete Corporate and Personal Trust Service. Personal Gift Check Service. Participation in loans to local enterprises.*

*From Survey by the Country Bank Operations Commission, American Bankers Association

Manufacturers Trust Company

55 Broad Street, New York 15, N. Y.

Member of Federal Deposit Insurance Corporation

BRIEFLY TOLD—Continued

tional course is planned for senior executives of mortgage companies and investing institutions. G. Rowland Collins, dean of the New York University school, will supervise the course.

Montana Bank History Manual

In connection with the dedication of its new second floor accommodations, and its "Montana-Made Products" exhibit, the Helena branch of the FEDERAL RESERVE BANK OF MINNEAPOLIS prepared and distributed a biography covering most of the state's 115 banks.

The manual, an interesting and lively account of Montana banks and bankers,

was distributed to all the banks in the state, according to the number of copies requested, some banks using as high as 30. In addition copies of the booklet went to city bank correspondents of the Montana banks, so that it found its way into all of the large banks in the principal centers of the East and West.

Many requests were received from others who had seen, heard, or read about the history. Entire cost of the booklet was absorbed by the FEDERAL RESERVE BRANCH BANK OF HELENA as part of its public relations program.

The "Montana-Made Products" exhibit held in the bank was attended by representatives from approximately 80 per cent of the banks in the state. The

first of its kind ever attempted in Montana, the display showed only products manufactured or processed within the state. Results were very encouraging. Business men, students and others came from all parts of Montana during the week the exhibit was open. It is expected to become a permanent state exhibition to be held yearly.

Theater Program Ad

Many banks are not particularly enthusiastic about advertising in theater programs, but The IRVINGTON NATIONAL of Irvington, New Jersey, inserted this reader in a local playhouse folder:

"Applause and praise is appreciated, but it does not satisfy long. Our veterans want some honest-to-goodness help to readjust themselves to civilian life. If you know a veteran who wants to set himself up in business, buy or build a home, or just have a confidential talk with someone who will give him sincere and constructive advice, send him to the IRVINGTON NATIONAL BANK (at Irvington Center). An understanding and sympathetic GI department is organized there to help him. adv."

Fertilizer "Ads"

THE FIRST NATIONAL BANK OF CONCORD, New Hampshire, achieves a double purpose in its current newspaper advertising campaign.

In addition to selling the bank's financing services, the copy promotes the value of using fertilizer to combat the feed shortage and the mid-summer drop in production of cows. The advertisements offer concrete and valuable suggestions to farmers for improved farming and then offer to finance the farmer in his improvements.



Some of the bars of silver bullion dumped by the Japs into Tokyo Bay and recovered by the Americans



PRESS ASSOCIATION

BANKING



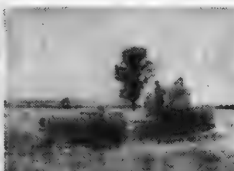
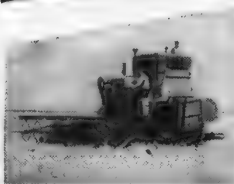
HARVESTORS Get and Save the Crops

MM HARVESTORS, in six sizes, point to a faster, surer way of harvesting all grain, seed, bean and rice crops at lower cost per bushel, per acre and per dollar invested. Sell-outs on MM HARVESTORS were a regular occurrence year after year even before the war—attesting to their popularity. Production of Harvestors, greatly curtailed during the war years due to shortage of materials, has now been expanded to the limit of materials available.

There is now a HARVESTOR for every size farm. The 5 foot HARVESTOR 69 is the ideal unit for a speedy harvest of all crops on the family-size farm. For larger acreages there are the tractor-drawn 9 foot and 12 foot HARVESTORS and the Self-Propelled 12 foot and 14 foot HARVESTORS. A special Self-Propelled 13 foot Rice Harvester is also available.

There are many things about MM Harvestors which enable them to harvest all crops faster and surer.

See your MM Dealer for the MM Harvester of your choice. They're worth waiting for.



MINNEAPOLIS-MOLINE POWER IMPLEMENT COMPANY

MINNEAPOLIS • MINNEAPOLIS, U.S.A.

The Mortality of Savings Accounts

(CONTINUED FROM PAGE 47)

behavior of savings bonds. In this connection the discussion is confined to the E bond and earlier issues of the same type since the market for the F and G bonds is another matter.

The E bond is a 10-year term investment on which the maximum return can be realized only if the bond is held to maturity. Prior to 1941 the earlier series of savings bonds were widely advertised but their sale was confined chiefly to purchasers who bought them from choice, knowing that the return would be less if the bonds were redeemed in less than 10 years. Yet it was found that rather a large amount of the bonds were turned in during their early years. The rate at which they were redeemed was about half the mortality rate of savings accounts of the same age. On that basis it was my guess that under normal conditions it could be expected that about 65 per cent of a given series would survive the entire 10-year period. Then came the E bond and the stepping up of the sales program. The differences in the redemption values of the E bond compared with the earlier issues and the increased pressure with which E bonds were sold caused a decline in the ex-



"Mom wants a pound of quarters, a pound and a half of dimes and a dozen nickels"

pected redemption rate of the earlier issues and a decided increase in the redemption rate of the later E bond series, particularly the 1943, 1944 and 1945 series. How great was the decline in the expected mortality of the early series was reported recently by a U. S. Treasury spokesman who said that about 70

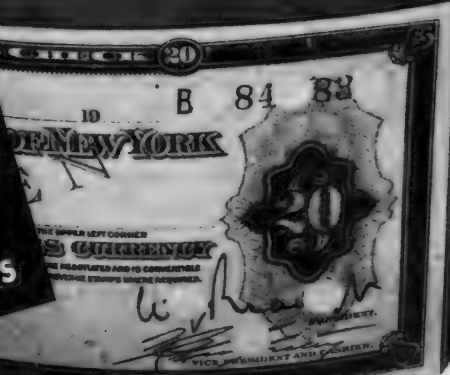
per cent of the 1936 series had survived the full 10 years.

As the war went on and the sales pressure during the drives was intensified many people, who would have purchased from choice only a limited quantity of 10-year bonds, bought extra bonds and many people who normally have no need at all for a 10-year investment bought to the limit of their capacity. The result was that the volume of redemptions increased sharply and the major part of the increase in redemptions came from the latest purchases. If the redemption rate for the 1944 and 1945 issues were put on a basis which took into account the average age of the bonds issued it could be seen that the mortality of these issues during their first year exceeded the mortality rate of new savings accounts in 1944 and 1945. This is very important for it shows to what extent the pressure of the War Bond drives placed E bonds in the possession of individuals whose needs were for a more flexible type of savings.

The conclusions to be drawn from these observations are: (1) There is no need for alarm over the current volume of redemptions for they are proceeding

- Protection from theft or loss of the Travel Funds of your clients.
- Spendable everywhere.
- Special courtesies and helpful service to your customers while they are traveling in foreign countries.
- 44 Active Branches in 24 foreign countries.
- Correspondent Banks in leading cities throughout the world.
- The prestige of America's Greatest World-wide Bank—Established 1812.
- A highly profitable transaction wherein you retain all the selling commission... amounting to 1/4 of 1%.
- Add this important feature to your facilities.

**LOOK
AT WHAT'S BEHIND
NATIONAL CITY
BANK
TRAVELERS CHECKS**



**The
NATIONAL CITY BANK
of New York**
World Wide Banking
Head Office
55 Wall Street, N. Y.
43 Branches in Greater New York
Member Federal Deposit Insurance Corporation

on an orderly schedule determined by the extent to which various issues were sold to individuals who normally would not purchase 10-year bonds; (2) the volume of redemptions will decline as soon as the first wave of redemptions of bonds sold in the Victory Loan drive is over; (3) it is not likely that the rate of redemption of any issue will increase over the rate recorded in redemptions of that issue to date; (4) without the sales pressure of the War Loan drives the normal market will find its level considerably below the 1945 volume of sales since individuals who need shorter term savings will use savings accounts in preference to buying E bonds; (5) the high volume of current redemptions will reduce the volume maturing from 1952 to

1955; (6) current redemptions of E bonds will exceed current sales during 1946 and part of 1947, at least, but some of these excess redemptions will be offset by the sale of F and G bonds.

F and G bonds are purchased by investors long accustomed to buying and holding 12-year bonds and the sales of these bonds in the future will remain at approximately the present level. If no new issues of 2½ per cent marketable governments come out the market for F and G bonds could increase.

Saturday Closing

THE Saturday bank closing movement gained momentum as the New York

Clearing House announced that its member banks would remain closed on each Saturday from June to September, inclusive, in accordance with new state legislation extending the optional Saturday closing, previously June 30 to Labor Day. The Savings Banks Association followed suit with an announcement that all of the 55 mutual savings banks in New York City would not be open for business during the four summer months. The New York Stock, Curb and Cotton Exchanges have also announced similar plans. Many banks throughout the state are expected to be closed on Saturdays.

A New Jersey act makes it mandatory for banks in that state to close on Saturday from May 1 to September 30.

The New York bill was sponsored by the New York State Bankers Association after a poll of its members last November, by the Savings Banks Association of New York, and by the New York Clearing House. Many of the New York banks have lengthened banking hours for one or two evenings a week to take care of customers unable to bank during normal hours.

Sentiment on Saturday bank closing seems to line up along urban-rural lines, with country bankers contending that Saturday is their biggest business day of the week, when everybody comes to town.

The board of governors of the Association of Stock Exchange firms went on record against a regular Saturday year-around closing for the New York Stock Exchange at a meeting in St. Louis, which was, they explained, only a recommendation and not binding.

Stock exchanges throughout the country, however, have followed the New York Exchange in the four-month Saturday closing.



People talk!

When bankers get together you are bound to hear a discussion of the Fifth Third Service rendered Correspondent Banks. This has been a topic worth talking about since 1858. Our relationship with Correspondents has always been satisfactory and cooperative. If you have not experienced this relationship, we would like to talk about it with YOU!

the FIFTH THIRD UNION TRUST CO.
CINCINNATI, OHIO

Member Federal Deposit Insurance Corp.
Member Federal Reserve System

"No one has seen the boss since you closed the vault!"



BANKING

Let's Bank on the Soil

(CONTINUED FROM PAGE 54)

production. Findings at the Indiana State Experiment Station are representative. Scientists there learned that in 1939 corn grown on a topsoil of one to two inches totaled only 49.2 bushels per acre. Records show that in the past the same field, when its topsoil was 13 inches, yielded 93.4 bushels. Erosion had lowered the corn yield 47.3 per cent. Results of a similar study in New Jersey showed that where topsoil was six inches or more, 307 bushels of potatoes per acre were produced. Where the topsoil, with all other conditions equal, was less than three inches, the yield was only 230 bushels.

BANKERS in many sections have adopted various methods to encourage soil conservation. Many are using their influence to organize soil conservation districts. All 48 states have laws authorizing creation of these districts as legal bodies, able to enter into contracts and agreements. A bank in Randolph, Vermont, has just advanced a district the entire cost of a heavy tractor. Another in Norwich, New York, has done the same thing. Many banks build their advertising around the subject of soil conservation. The Old Phoenix National Bank of Medina, Ohio, and the joint banks of Chenango County, New York, to name a few, are doing just that.

More bankers are learning every day that money spent on conserving the soil is considered capital improvement. The Path Valley National Bank, of Dry Run, Pennsylvania, once turned down a \$3,000 loan on a certain unencumbered farm. Today, after the farm carried out a complete soil conservation plan, the bank declared it could get a \$4,000 loan, if needed. But it isn't needed now.

The Second National Bank of Rome, Georgia, will extend farm credit only where there is a conservation farm plan. This bank recognizes as a poor risk any farm whose capital asset—the soil—is slipping away.

The community banker, of course, is a powerful force. His influence can go a long way to keep the community on a sound economic basis. Soil conservation is a basic need in thousands of communities. Bankers everywhere can do a great deal to help.



The Bank of Guam—a United States bank operated by officers of the U. S. Navy, but not subject to the banking laws of the United States—has become a member of the American Bankers Association. This bank received a charter in 1915 from the Governor of the Naval Government of Guam. In December 1941 its assets were \$600,000. After the liberation of Guam in August 1944 the Navy resumed full management of the bank

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THE INVESTMENT MARKET

H. EUGENE DICKHUTH

REMOVAL of wartime measures in the government securities market vindicated the judgment of Federal Reserve authorities who had maintained for several months that restoration of normal conditions would be beneficial. Elimination of the special discount rate of one-half of 1 per cent at which member banks could borrow from the Federal Reserve banks on Treasury obligations due within one year and the freeing of the market for long term government securities from the arbitrary limit of one-quarter point or eight thirty-seconds in daily fluctuations, had a decidedly salutary effect and so far none of the dire apprehensions held by some Washington officials have developed.

Fred M. Vinson, Secretary of the Treasury, long opposed to removal of the preferential rate, finally agreed to its elimination on the specific assurance by the Federal Reserve Board that it would not be allowed to disturb the markets. There seems to be little doubt that relatively greater stability has prevailed after removal of the controls than before.

The stability in the first few weeks after these important changes, it may be also observed, was a normal market development without official support. The Federal Reserve accounts showed no additions to their holdings of government bonds and the Treasury, apparently, did not come in the market for the so-called trust funds, indicating absence of support from from which the two directions such move could have originated.

IT MAY be said in passing that the lack of support in recent cycles of price declines, has led dealers to infer not only that the drop had Treasury and Reserve Bank approval, but that it represents to some extent a change of philosophy away from the extremely easy money policies of a few months ago.

One element which has been an important factor in recent weeks was the uncertainty of large scale liquidation of Victory Loan securities as holders passed the six months mark from the time they had bought the bonds originally. Under present tax regulations profits from securities are reportable at regular income rates if they are taken in less than six months, while the capital gains rate of only 25 per cent is applicable when such profits are realized more than one-half year after the date of purchase.

Since most of the speculative purchases estimated at between \$3 and \$7 billion occurred presumably between November 15 and December 15, 1945, the half-year mark was over between May 15 and June 15. Most holders have had a profit. Many purchasers, individuals,

partnerships and corporations subscribed to the Victory issues for the purpose of riding the coupon. They bought at par and they received $2\frac{1}{2}$ per cent interest. If they borrowed on these securities they probably paid 1 to $1\frac{1}{4}$ per cent on their loans.

Some of these holders may have been under pressure from their banks to liquidate these loans, which was another unpredictable factor and until the entire period plus a few more weeks in addition have passed, the Victory issues are not expected to make much headway.

Retirement of issues throughout June, a good portion of which are held by the banks, certainly will have a tightening effect in the money market throughout the month with diminishing purchasing power in part of the commercial banks in the government securities market.

The private capital markets have been teeming with high activity in all types of securities, bonds, debentures, preferred stocks and equities. In some weeks offerings totaled between \$200 million and \$225 million. Investment reception was excellent in most cases except where over-pricing made buyers hesitant. In some instances, modest concession became necessary and the issues then moved rapidly and the congestion disappeared.

Of particular interest and possibly another indication that the low point of interest rates has been reached, was a recent \$85 million debenture offering of Standard Oil of New Jersey. The coupon was registered at $2\frac{3}{8}$ per cent, but was later increased to $2\frac{1}{2}$ per cent in view of a similar boosting of the rate on another large industrial issue previously.

There is keen interest in the discussions between the National Association of Securities Dealers and the Securities and Exchange Commission about the question raised by the latter that partners, officers and key employees of investment houses should not purchase large blocs of newly offered common stocks and thereby contribute to sensational price advances. Despite much opposition, there seems to be general agreement nevertheless that such a rule is advisable but that it should be made a policy of the N.A.S.D. rather than a tight legal regulation of the SEC.

Among interesting common stock transactions is the proposed doubling of the common stock of Paramount Pictures, Inc., which will come up for approval by shareholders on June 18. The transaction would eliminate all authorized but unissued first and second preferred stocks, also the common shares held in the treasury in addition to prepaying \$2,500,000 of notes due 1949 to 1951.

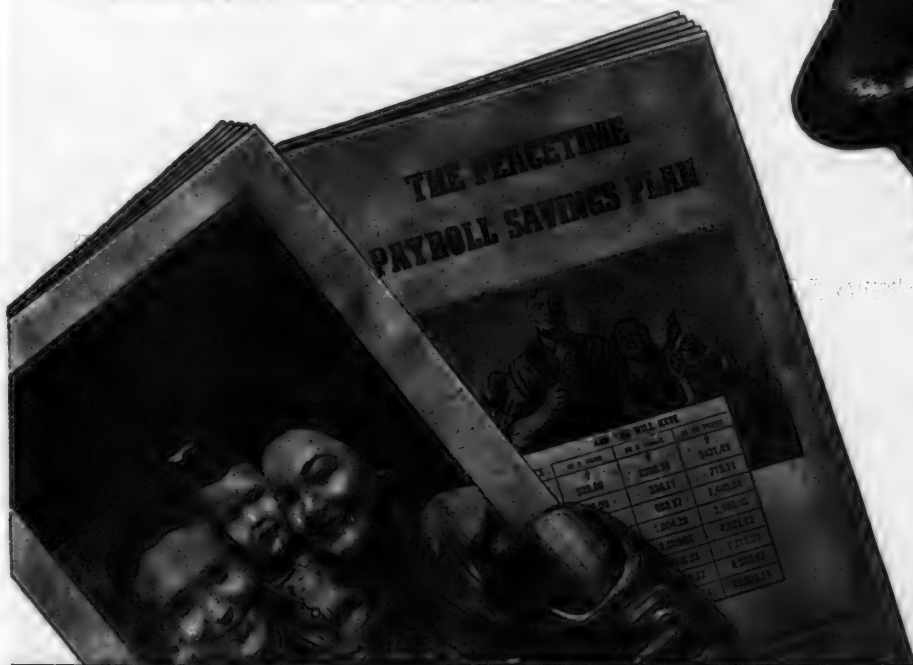
To help increase "Take-Home Savings"

THE Treasury Department has published two new booklets to help you and your employees realize the utmost benefit from your Payroll Savings Plan—benefits proportioned to the extent your employees add to "take home savings" by buying and holding U. S. Savings Bonds.

"Peacetime Payroll Savings Plan" for key executives offers helpful suggestions on the conduct of the Payroll Savings Plan. In addition, it quotes leaders of Industry and Labor and their reasons for supporting the Plan.

"This Time It's For You" is for distribution to employees. It explains graphically how this convenient, easy thrift habit works. It suggests goals to save for and how much to set aside regularly in order to attain their objectives. If you have not received these two booklets, or desire additional quantities, communicate with your State Director of the Treasury Department's Savings Bond Division.

See your Payroll Savings Plan through to maintain your share in America's future. It is sound economics and a powerful force for good today—and tomorrow—as a safeguard for stability and a reserve of future purchasing power—money that is kept within your community.



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BANKING

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STATE ASSOCIATION ACTIVITIES

CALIFORNIA. Revision of the California Bank Act was the assignment entrusted to a special committee recently appointed by the California Bankers Association. Under the chairmanship of Benjamin C. Corlett, vice-president of the American Trust Company and formerly state superintendent of banks, the new committee will review and bring up to date the basic law governing banking in California. Similar work is in progress or has been completed in some 15 other states.

★ ★ ★

NEBRASKA. Officers of the six groups comprising the Nebraska Bankers Association recently conducted a five-day series of group meetings about the state. Cities acting as hosts were Lincoln, Fremont, Norfolk, Hastings, Lexington, and Alliance. Prominent feature of each meeting was discussion of the GI act.

★ ★ ★

NEW JERSEY. School savings programs among New Jersey banks were largely suspended during the war to permit co-operation with the Treasury Department's schools-at-war program. Recently, however, the school savings committee of the New Jersey Bankers Association urged all banks in the state to resume their school savings activities. Admitting that such programs mean extra expense and work for banks, the committee believes they provide opportunities for improving public relations worth many times the cost involved, and at the same time aid educators in building character through thrift education.

NEW YORK. To improve high school instruction in financial subjects, more than a year ago the New York State Bankers Association launched its "Posterama" program featuring a series of teaching aids dramatizing various phases of banking and money management. Member banks participating distributed to high schools, kits containing large posters for use as wall charts, duplicate small posters for student notebooks, and a teacher's manual of background material for classroom work. Units issued to date cover "Your Dollars at Work," "Types of Banks—How They Serve You," and "Loans Work for You." Recent sampling of educators' opinions in New York City high schools where plan has been used reflected favorable reaction and produced suggestions for additional "Posterama" topics. Under preparation now are units on checks and money. All of this material is available to banks and bankers associations in other states through the New York association, and a number of state bankers associations are presenting the plan to their members.

★ ★ ★

NORTH CAROLINA. The tenth annual Carolinas Bankers Conference will be held at the University of North Carolina, Chapel Hill, July 7 to 12, under the joint sponsorship of the North Carolina Bankers Association and the South Carolina Bankers Association.

★ ★ ★

PENNSYLVANIA. The trust company section of the Pennsylvania Bankers Association recently issued a list of legal



Secretary Wornom

investments considered eligible for trust fund investment in the state of Pennsylvania. This is said to be the first project of its type to be undertaken by any state bankers association.

★ ★ ★

VIRGINIA. Marchant D. Wornom will take over his duties as full-time secretary of the Virginia Bankers Association on July 1, succeeding Thomas D. Neal whose resignation as part-time secretary terminates four years of service with the association. Mr. Wornom, a native Virginian, began his banking career at the Federal Reserve Bank in Richmond, and was associated for a number of years with the State Bureau of Insurance and Banking.

★ ★ ★

WASHINGTON. Release of a study of procedure covering the handling of savings accounts marks achievement of another goal in the ambitious program the Washington Bankers Association is em-

At the end of June A.B.A. President Frank C. Rathje will have attended this year at least 16 state association conventions, including Florida, Georgia, Illinois, Oklahoma, Mississippi, New Mexico, Missouri, Texas, Colorado, Minnesota, North and South Dakota, Wisconsin, Utah, and Montana-Wyoming. Scenes from the Illinois convention in St. Louis, below. Left, A.B.A. State Vice-president (Illinois) George R. Boyles, FDIC Chairman Maple Harl, Mr. Rathje, Boatmen's (St. Louis) President Tom K. Smith, and American Security's (Washington, D. C.) President Daniel W. Bell. Right, audience during a general session



barked upon to standardize banking procedure in the state. These data and accompanying forms will constitute a new section in their manual of procedure issued for the use of member banks.

★ ★ ★

ILLINOIS. Representing 2,000 or more years of banking experience, the 40 newly-inaugurated members of the Illinois Bankers Association Fifty-Year Club received handsome gold lapel pins attesting to their unique distinction in the banking world. The club was created at the recent Illinois convention and enters its first year of existence under the leadership of Frank M. Lockwood, vice-president of the City National Bank of Kankakee, and H. M. Merriam, vice-president of the Illinois National Bank, Springfield, respectively elected president and vice-president by the half-century bankers.

★ ★ ★

CENTRAL STATES SCHOOL OF BANKING. Under the direction of the Wisconsin Bankers Association the Wisconsin School of Banking held its first session in August 1945 at the University of Wisconsin, Madison. In December 1945 the secretaries of 14 state bankers associations, then comprising the Central States Conference, voted to endorse and support the school as the Central States School of Banking. The school will conduct its second annual session this Summer from July 28 to August 10. A waiting list will be maintained for each participating state.

New State Presidents



KARL K. BROWN
Delaware



FRANK W. NORRIS
Florida



R. E. GORMLEY
Georgia



B. J. GHIGLIERI
Illinois



R. C. DEXTER
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Bank Changes

CONTROLLING interest in the First National Bank in Miami, Florida, has been purchased by WILEY R. REYNOLDS, president of the First National Bank in Palm Beach. Affiliates included in the purchase are the First Trust Company of Miami, First National Bank of Coral Gables and the Little River Bank & Trust Company of Little River. The purchase included the First National's eight-story building and the First Trust's 15-story building in the heart of Miami.

Mr. REYNOLDS' other bank holdings include the First National Bank in Lake Worth, First National Bank in Ft. Lauderdale, and the American National Bank in Miami—all within 80 miles along the lower East Coast of Florida.

Merger of the First National and American National banks in Miami is being planned by a committee of directors from the two banks headed by BLAKE OLIVER, president of American, and GEORGE E. WHIDDEN, director of First National.

First National Bank and State Na-

Top management of Chase National Bank, New York—l. to r., H. Donald Campbell, former president and now vice-chairman of the board; Winthrop W. Aldrich, chairman of the board; and Arthur W. McCain, president. Photograph was made shortly after election of Mr. Campbell and Mr. McCain to new posts



tional Bank of Houston, Texas, stockholders have voted to merge the two institutions. The corporate name of the enlarged bank will be First National Bank of Houston, and will be the city's largest bank.

FRANCIS M. LAW, formerly chairman of the board of the First National Bank, and JOHN W. WILKINS, formerly chairman of the board of the State National Bank, have been elected chairman and vice-chairman, respectively, of the new bank.

P. B. BUTLER, president of the old

First National, continues as president of the merged institution. W. A. KIRKLAND was named executive vice-president and chairman of the executive committee.

H. M. WILKINS also was named executive vice-president.

Mr. LAW is a former president of the American Bankers Association.

The Bank of Georgia is the new corporate name of the bank formerly known as The Morris Plan Bank of Georgia, located in Atlanta.

The Seattle-First National Bank announces the purchase of the assets of the Columbia Basin State Bank at Moses Lake, Washington, and the conversion of this institution into the Columbia Basin Branch of the parent bank. F. H. OIE, formerly cashier of the Columbia Basin State Bank, will serve as manager of the new branch.

(CONTINUED ON PAGE 94)

2,100 Coin Banks

The widely known coin bank collection assembled by Clarence T. Simmons of Iowa State Bank, Des Moines, has been augmented by a little bank that went through the London blitz. The coins in it were welded together by the heat.

This addition to Mr. Simmons' treasures came from the Post Office Savings Bank of London, and was one of several coin banks sent to him by that institution.

All of the 2,100 items in the collection have been given to Mr. Simmons by banks and bankers in every state in the Union and in Canada, Hawaii, Bermuda, Australia, England, Scotland, Ireland and Colombia. Rare and unusual banks—some of them ingenious mechanical devices designed to encourage young folks to save coins—are included.



Let's Get the Black Market's Hand Out of the Traveler's Pocket!

The underground sale of sleeping car space is a national scandal. The railroads cannot escape responsibility. The C&O Lines offer a solution that will kill the racket — if other roads will join.

IF you travel very much, you must have run into a situation that is being reported by angry passengers all over America:

No space for sale at the ticket windows. But plenty of empty berths and rooms—when the train pulls out. Often you can't buy a ticket through legitimate channels. But you can get one any time, by going to the "right" person and greasing him with the "right" price.

Here are just a few of the typical cases that have been reported to the C&O:

Mr. X. in New York, needing to go to San Francisco, asked what was the earliest moment at which reservations could be made. He was told 8:00 A.M. of a certain date. At 8:00 A.M. on that date he was in front of the ticket window—the first in line. When the window opened he was told the train was sold out. He managed to get accommodations to Chicago by paying a black market price. In Chicago after 5 hours of desperate effort he got space on the "Chief"—by paying \$20 extra to a gouger. On board the "Chief" there was plenty of unoccupied space. The conductor explained that it was due to "last minute cancellations."

Mrs. K., a service wife, planned a little trip for her husband's furlough. Unable to get space, she tried the black market. Space was offered at double the normal price. She couldn't afford it. A travel agent offered her space if she would stop at a very expensive hotel—which, again, she couldn't afford. The K's didn't get their trip.

Miss Q. had an experience in a New York station. She was told cancelled tickets for her destination would go on sale at 10:00 o'clock. She waited in line more than half an hour. When a ticket was brought back, a man behind her held up some money. The ticket seller said there was no space for sale. The line dispersed, but Miss Q. waited and saw the man with the bribe come back and instantly get his ticket.

These are not mere wartime experiences. People by the thousands are having them



today. And whether or not many railroad or Pullman employees are directly involved in the scandal, neither the railroads nor the Pullman Company can escape responsibility. For slipshod policing, and inability to see the need for reforms, leave the door wide open to racketeers.

What Becomes of All the Space?

Sleeping car tickets can be bought up weeks in advance—in "blocks"—by hotels, travel agencies, or by anyone who has the money to pay for them. There is nothing to prevent this space leaking into the black market except the honesty of the man who buys it.

The space is bought and paid for in advance, but, if it is not re-sold, it can be turned in for a refund up to the minute of train departure. Therefore, anyone who wants to run a black market in sleeping car space can do so without any financial risk.

Reform Agitated Since 1943

For more than three years the C&O has been trying to get other railroads and the Pullman Company to agree to action that would kill the ticket racket. Lame duck excuses have let the black market grow and flourish while the railroads lose revenue.

Simple Remedy Would Help Greatly

The C&O proposes that all "block" sales of sleeping car space be stopped at once. All space should be reserved or sold in the name of the individual who intends to use it. Tickets should be non-transferable. Hotels, travel agencies and business houses could follow their present system, except that the space would have to be reserved or sold in the name of the individual passenger.

The Airlines do it this way, and they have never had a black market!

What You Can Do

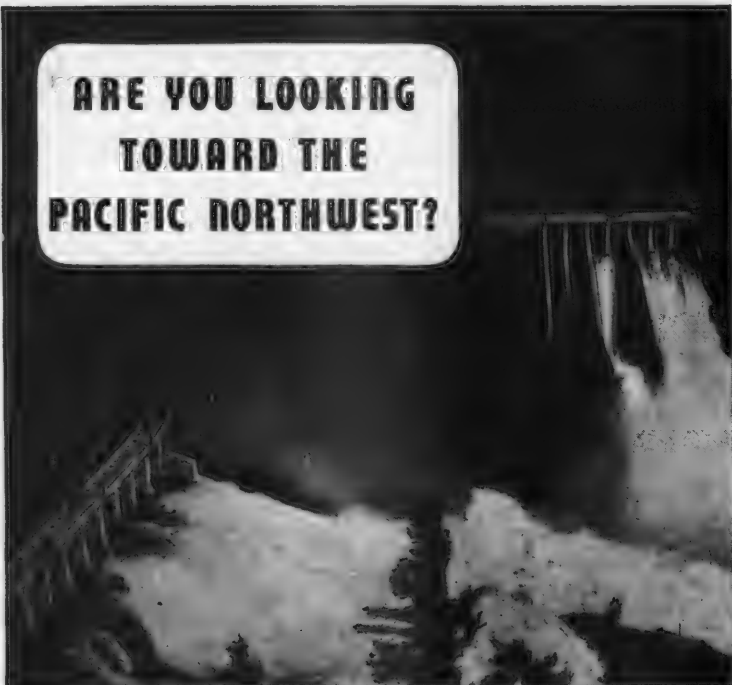
If you no longer want to tolerate the greedy hand of the black market in your pocket—or be content with a refusal of space when you know that many berths are empty—write to your newspaper. If enough Americans will ask the support of the press, the ticket racket—like the "Chinese Wall" that blocked through service at Chicago and St. Louis—can be broken.

Chesapeake and Ohio Lines

Terminal Tower, Cleveland 1, Ohio
CHESAPEAKE AND OHIO RAILWAY
NICKEL PLATE ROAD
PERE MARQUETTE RAILWAY



ARE YOU LOOKING TOWARD THE PACIFIC NORTHWEST?



DO the growing markets and tremendous resources of this region figure in your future plans?

Here, ready to serve you, is a banking institution that knows intimately the needs and possibilities of this district—that covers the State of Washington with its 40 conveniently located offices.

If your operations include any kind of installment sales to consumers, we offer a complete consumer credit service, financing dealer stocks and carrying their installment paper.

This Bank has ample facilities for any kind of commercial banking relating to domestic or export trade.

When you visit the Pacific Northwest, come in and get acquainted. If you wish information, the executive most familiar with the particular subject in question will gladly assist you.

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SEATTLE-FIRST NATIONAL BANK

Main Office — Seattle
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MAIN STREET—Continued

The Bank of Hamtramck, Michigan, has changed its name to the Bank of Commerce.

The Milwaukee Avenue National Bank, Chicago, has changed its corporate title to The Manufacturers National Bank of Chicago.

ABW Regional Meetings

Jacksonville

About 70 members of the Association of Bank Women attended the southern division's regional meeting in Jacksonville, Florida, April 26-28, over which BERTIE HALE, regional vice-president and auditor of the Bank of Atlanta, presided.

At the opening business session WILLA A. RILEY, national vice-president of the Association of Bank Women and assistant cashier, Florida National Bank, Jacksonville, extended greetings. An address on the "Influence of the Business Woman in the World of Today" was given by Mrs. Garrett Porter, president, St. Johns Bluff-Fort Caroline Corporation. The closing meeting was devoted to a panel discussion on the present and future status of bank women, led by Miss HALE.

The Barnett National Bank of Jacksonville entertained the group at a dinner; Miss HALE and Mrs. HELEN PACE THOMPSON, assistant cashier, Fulton National Bank of Atlanta, entertained with a breakfast; Federal Reserve Bank, Jacksonville Branch, entertained with a luncheon; Mrs. ALFRED I. DUPONT, director of the Florida National Bank Group and a director of the Association of Bank Women, entertained the ABW representatives and the senior officers of the Jacksonville banks at tea at her estate; the Jacksonville Clearing House Association gave a banquet in honor of the ABW group; and the Florida National Bank entertained the bank women at a luncheon.

New York

The Middle Atlantic and New England divisions of the Association of Bank Women held their annual conference in New York recently to coincide with the homecoming of National President HELEN KNOX from a six-week trip throughout the country, during which she participated in programs in key cities in celebration of the associations 25th anniversary.

Miss KNOX is manager, women's department, Chase National Bank's Grand Central branch.

Dr. Emily G. Hickman, professor of history at New Jersey College for

BANKING

Women and president, American Association for United Nations of New Jersey, spoke at the opening session of the ABW meeting on "United Nations Move Ahead."

Other speakers included: Miss KNOX, who spoke on "A Challenge to Bank Women—1946"; DORA HALLBERG, ABW regional vice-president and personnel officer, The First National Bank of Boston, who spoke on "Postwar Personnel."

Other ABW leaders participating in the program included: MARY K. HOYT, assistant secretary-treasurer, Montclair (N. J.) Trust Company; ANN BURTON, vice-president, Scarsdale (N. Y.) National Bank and Trust Company; MARY E. STETSON, manager, women's department, 57th Street branch, Chase National Bank; and M. IRENE WEST, vice-president, The National Bank of Far Rockaway, New York.

Back From the War

J. HARVIE WILKINSON, JR., vice-president of the State-Planters Bank and Trust Company, Richmond, has been elected to his bank's board of directors. During World War II, Mr. WILKINSON served as a lieutenant colonel with the Special Financial Services Division, Advance Payment, and Loan Branch, U. S. Army.

He has been active for a number of years in American Bankers Association committee and educational work and currently is a member of the Bank Management Commission.

J. EARLE MCGEARY has been elected assistant cashier of the Hamilton National Bank in Washington, D. C. Mr. MCGEARY was a lieutenant in the U. S. Maritime Service for three years during World War II.

He holds the American Institute of Banking's standard certificate and has completed several graduate courses. He is a past president of Washington Chapter of the Institute, and presently is a member of the chapter's board of governors.

Colonel ALFRED G. TUCKERMAN has returned to the Chemical Bank & Trust Company of New York as assistant manager of the Madison Avenue-46th Street office, after four years of service with the U. S. Army.

Colonel WILLIAM E. SCHOOLEY, assistant vice-president of the American Security and Trust Co., Washington, D. C., has been awarded the Legion of

Jacksonville Clearing House Association banquet in honor of Association of Bank Women — l. to r., W. Hardin Goodman, Mrs. Alfred I. duPont, J.-W. Shands, Mrs. Shannon Jensen, C. S. L'Engle, clearing-house president; Frank W. Morris, president, Florida Bankers Association; Bertie G. Hale, Willa A. Riley



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service that inspires confidence...

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Colonel SCHOOLEY was chief of the bank facilities branch of the special finance service division in the office of fiscal director of the War Department.

Lieutenant Commander JOHN F. MCKEAN, USNR, has joined the staff of The Manhattan Savings Bank as executive assistant. During four years with the U. S. Navy, Commander MCKEAN saw extensive service in the



Cmdr. McKean



Gen. Hervey

Pacific area and was awarded the Legion of Merit, the Bronze Star, the Purple Heart, the Navy Unit Commendation, and numerous ribbons and battle stars.

Brigadier General HARCOURT HER-

VEY has been elected an assistant vice-president in the real estate department of the Security-First National Bank of Los Angeles. Prior to entering military service in March 1941, General HERVEY was assistant secretary in charge of the farm lands division.

He served in the Central and South Pacific theaters, including the Philippine campaign and the Korean occupation, and was awarded the Air Medal, Silver Star and Legion of Merit. He also served for five years in World War I.

Lieutenant Colonel HARRY C. KILPATRICK, vice-president of Manufacturers Trust Company of New York in charge of the real estate and mortgage management department, has been elected a director of the Mortgage Conference of New York, an association of lending institutions which hold mortgage investments in Greater New York. Colonel KILPATRICK served with the Corps of Engineers in the U. S. Army during World War II.

Lieutenant LOUIS L. COX, after nearly two years with the U. S. Navy, has returned to his post of assistant vice-president of the Union Bank of Commerce, Cleveland, Ohio. He served in the office of the Secretary of the Navy in Washington, being attached to the Bureau of Aeronautics to negotiate contracts for procurement of planes and other aviation material required by the Navy.

JOHN PISARKIEWICZ, who recently returned to the bank after four and one-half years of military service, has been appointed manager of the war veterans' loan department of the Mercantile-Commerce Bank and Trust Company, St. Louis.

Major ROBERT R. SPOONER has been elected secretary of the Morris Plan Bankers Association. Major SPOONER was recently discharged from the Army Air Forces, after nearly four years' service.

Lieutenant Commander CLYDE HENDRIX, JR., has been appointed assistant vice-president of The Hibernia National Bank, New Orleans. Commander HENDRIX, a former national bank examiner, saw more than three years' service with the U. S. Navy.

Lieutenant SNOWDEN HOFF, JR., has been named assistant vice-president of The Equitable Trust Company, Baltimore. Lieutenant HOFF was associated



By establishing relationships with other banks, and working closely in these relationships, bankers are aided in extending broader and more efficient service to their customers and to their communities.

We at Central National Bank of Cleveland, value our correspondent connections and we shall be glad to share with you the benefits of our experiences. This is an important feature for both industry and banks to consider when seeking either additional banking service or a correspondent relationship in the Great Lakes Industrial Region. Your inquiry is invited.

CENTRAL NATIONAL BANK

OF CLEVELAND

Cleveland 1, Ohio

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

with the bank for 12 years before entering the service of the U. S. Navy in, 1944.

Major LIONEL C. PERERA, who saw four years of service with the United States Army, has been named assistant to the president of the Colonial Trust Company, New York.

Have You Heard?

RICHARD S. HAWES, after more than 50 years of service with the First National Bank of St. Louis and its predecessors, has resigned his post of senior vice-president.

Mr. HAWES has held many positions of honor and responsibility in the banking world, including the presidency of the American Bankers Association in 1919. He also has been active in St. Louis civic life.

WILLIAM C. CONNETT has been elected first vice-president and a director of the First National Bank of St. Louis. Mr. CONNETT has served as vice-president of First National since 1929.

RICHARD S. DOUGLAS, formerly assistant counsel of The Cleveland Trust Company, has been elected counsel of the bank to succeed G. M. CUMMINGS, who retired recently after 33 years of service.

Mr. DOUGLAS is a member of the Committee on State Legislation of the American Bankers Association and chairman of its Subcommittee on Assignment of Accounts Receivable Legislation.

More than 200 savings bankers and guests attended a testimonial dinner in New York recently in honor of EVERETT N. HATCH, retiring secretary and general manager of the Savings Banks Life Insurance Fund and to welcome his successor, CLARENCE B. PLANTZ, who resigned as vice-president and treasurer of the New York Savings Bank to become executive vice-president of the fund.

Mr. Douglas



Mr. Hatch



THE BALTIMORE AND OHIO RAILROAD COMPANY

SUMMARY OF 1945 ANNUAL REPORT

TO ALL SECURITY HOLDERS:

THE year 1945 was important to all security holders of the Company. The Interstate Commerce Commission, the Company's bondholders, and a Special Federal Court—each placed their stamp of approval on the Company's Adjustment Plan. On March 13, 1946, the Court entered its formal Decree, directing that the Plan be put into effect.

Operating revenues of \$361,373,218 for 1945, were \$25,819,818 less than in 1944. Operating expenses of \$296,661,547 were the largest in the Company's history, principally because of increased material costs and the charge of \$18,571,715 on account of amortization of defense projects. This resulted in a tax credit of \$14,990,255. Total taxes paid were \$20,074,255. Statement of earnings, expenses and disposition of net earnings for 1945 follows:

	Year 1945	Compared with 1944
EARNINGS:		
From transportation services performed.....	\$361,373,218	D \$25,819,818
From dividends, interest, rents, etc.	6,790,888	D 950,407
Total.....	\$368,164,106	D \$26,770,225

EXPENSES:		
Payrolls, fuel, material, etc.....	\$296,661,547	I \$ 9,592,793
Taxes.....	20,074,255	D 28,910,590
Equipment and Joint Facility Rents	7,984,975	D 1,838,082
	\$324,720,777	D \$21,155,879
All other—interest on debt, rents, etc.....	27,541,928	D 601,309
Total.....	\$352,262,705	D \$21,757,188
Net Earnings.....	\$ 15,901,401	D \$ 5,013,037

DISPOSITION OF NET EARNINGS:

Additions and betterments.....	\$ 3,553,498	D \$ 1,352,612
Sinking funds—to retire debt....	7,241,082	D 815,853
Other appropriations.....	8,411	D 1,723
Added to the Company's surplus..	5,098,410	D 2,842,849
Total.....	\$ 15,901,401	D \$ 5,013,037

Nearly \$27,500,000 was invested in 1945 in the construction of new and improved track, bridges, signals, yards and other facilities, and in the acquisition of new and improved locomotives and freight and passenger cars. This resulted in additional sources of traffic, more efficient and economical operations, and improved service for B&O patrons.

A program of traffic development started several years ago is being intensified, and research projects promising heavier tonnage and more efficient locomotive performance are making encouraging progress.

Equipment obligations issued during 1945 to finance the purchase of new equipment amounted to \$15,799,600; equipment obligations retired were \$5,183,560. Total equipment obligations outstanding, December 31, 1945, were \$39,105,577. This was \$10,616,040 more than at the end of 1944. Other debt was reduced a total of \$10,601,431 in 1945. THE NET DEBT REDUCTION, 1942-1945 INCLUSIVE, WAS \$105,021,264.

Of the 17,857 employees of the B&O who entered the armed forces, more than 200 lost their lives. Of the rest, nearly 7,000 have resumed their employment with the Company, and nearly 1,300 additional servicemen have also been employed.

The President and Directors acknowledge with appreciation the continued cooperation of stockholders, Government agencies, shippers, and the officers and employees of the Company.

R. B. WHITE, President

Mr. HATCH has accepted the post of director of public relations of the Syracuse Savings Bank. For several years he has been an instructor at the New York Chapter of the American Institute of Banking and in 1941 commuted by plane in order to instruct for Syracuse Chapter. He is a member of the faculty of the A.B.A.'s Graduate School of Banking.

JAMES E. SHELTON, chairman of the executive committee of Security-First National Bank of Los Angeles, has been elected president of the Los Angeles Chamber of Commerce, the largest organization of its kind in the United States. Mr. SHELTON is a past president of the California Bankers Association.

WILLIAM K. PATON, president of the Farmers Bank of the State of Delaware, has received the National USO Service Award for his work as a member of the National USO Council and as chairman of USO activities for the state.

After 50 years with the institution, WILLIAM J. ROBERTS has been elected president of the Mahoning National Bank, Youngstown, Ohio. He succeeds JOHN R. ROWLAND, who was named chairman of the board, a new position.



Mr. Shelton



Mr. Garner

E. R. WATKINS and L. A. STEWART, assistant vice-presidents, were elected vice-presidents and WATKINS was re-elected cashier. SARAH RICHARDS was elected assistant trust officer.

EUGENE T. GARNER, lending officer with the out-of-town division, National Bank of Detroit, has been promoted to vice-president.

JAMES W. ASTON, former city manager of Dallas, Texas, has been elected a vice-president of the Republic National Bank of Dallas.

G. RONALD INCE, FRANK J. JONES, JOSEPH C. KENNEDY and ROBERT P. ULM have been elected assistant secretaries and CHARLES A. FRANK, assistant treasurer of the Bankers Trust Company of New York. Messrs. FRANK and JONES recently returned from active

duty with the Navy with the rank of lieutenant colonel and Mr. KENNEDY from the Army with the grade of master sergeant.

JOSEPH C. BICKFORD and GORDON WOODWARD, formerly assistant treasurers, were elected assistant vice-presidents.

EVERETT C. STEVENSON has resigned his post as executive vice-president and a director of The First National Bank and Trust Company of Freeport, New York, to become vice-president of Slocum Industries, Inc., in Freeport.

For a number of years Mr. STEVENSON has been active in American Institute of Banking circles, having served as president of the Elizabeth (N. J.) Chapter and as a member of the Executive Council of the Institute for a three-year term. He is an alumnus of The Graduate School of Banking of the American Bankers Association.

California Bank of Los Angeles staff members who have received the U. S. Treasury Silver Award for work with the War Finance Committee include: H. F. BATCHELOR and C. C. PEARSON, assistant vice-presidents; NORB F. HARGROVE and P. H. McCANDLESS, branch managers.

C. A. HEMMINGER, formerly director of the New York State Bankers Association's news bureau and editor of the New York State Banker, has been appointed advertising manager in the newly created development department of the Bankers Trust Company.

Mr. HEMMINGER is a member of the 1946 class of The Graduate School of Banking of the American Bankers Association at Rutgers University.

HENRY S. SHERMAN, president of the Society for Savings, Cleveland, and past president of the Savings Division of the American Bankers Association, was recently appointed to a three-year term of the Ohio Banking Advisory Board by Ohio's Governor Frank J. Lausche.

EUGENE J. HILLNER has been elected assistant cashier of the Irvington

Mr. Sherman

Mr. Hillner



BANKING

Q Where Was the First Nomination by Convention of a President and Vice President?

A. The first president and vice president to be nominated by a national convention were Andrew Jackson and Martin Van Buren, who were named by the Democrats in Baltimore in 1831 . . . Today, Baltimore is one of the Nation's busiest centers of trade and commerce . . . the Equitable Trust Company, one of Baltimore's busiest banks. Because it keeps in constant touch with conditions in this vital industrial area, the Equitable Trust Company can give prompt, intelligent, thorough service to out-of-town banks. Your inquiry is invited.



Member Federal Deposit
Insurance Corporation

Equitable Trust Co.
BALTIMORE

(N. J.) National Bank. He is a graduate of Essex County Chapter, American Institute of Banking and editor of the *Essex County Banker*, chapter publication.

S. SLOAN COLT, president and director of the Bankers Trust Company, has been appointed a commissioner of The Port of New York Authority by Governor Thomas E. Dewey. The 12 Port Authority commissioners, six from New York and six from New Jersey, are appointed to the bi-state agency by the governors for terms of six years and serve without compensation.

REUBEN B. HALL, vice-president and manager of the foreign department of The Philadelphia National Bank, has been elected treasurer of the Bankers Association for Foreign Trade.

JUDGE B. MARSHALL, president and sole owner of the Carbon (Ind.) Bank, has announced his retirement and the liquidation of the bank. Mr. MARSHALL has headed the bank for 41 years, and after its closing on July 1 plans to take a long rest.

E. F. ALLEN has been appointed vice-president of The First National Bank and Trust Company of Tulsa. During the past year Mr. ALLEN has served as assistant chief national bank examiner in the office of the Comptroller of the Currency. Previous to that, he had extensive experience as a bank examiner and as a bank executive in the East, in Missouri and Kansas.

WILLIAM H. BASSETT has been appointed assistant to the president of the Colonial Trust Company, New York.

WALTER BRAUNSCHWEIGER, vice-president of the Bank of America, Los Angeles, was recently elected vice-president of the United States Chamber of Commerce. He previously served as a director of the national chamber and as president of the Los Angeles chamber.

WILDRED H. HEITMANN has been

Mr. Braunschweiger



Mr. Heitmann



Mr. Butkiewicz



Mr. Ringe

advanced from vice-president to president of the Northwest National Bank of Chicago, succeeding CUSHMAN B. BISSELL, who will continue to serve as chairman of the board.

HARRY C. BUTKIEWICZ has been appointed vice-president and national sales manager of the American Installment Credit Corporation of New York City and will devote his efforts to building a sales organization for the American Bank Credit Plan. He has been identified with the automotive industry for over 25 years.

LEWIS FUHR, assistant vice-president, Kings County Savings Bank, Brooklyn, New York, recently celebrated his 45th anniversary with that institution. He is a graduate of New York

Chapter, American Institute of Banking.

HERMAN RINGE has been advanced from first vice-president to president of the Ridgewood (New York) Savings Bank.

The New Rochelle (New York) Trust Company announce promotions, as follows: LESTER A. STOOHOFF from assistant trust officer to vice-president; ARTHUR R. POYNTON, from assistant vice-president to vice-president; EDGAR M. CRAFT, LOUIS E. FITZNER from assistant secretaries to assistant vice-presidents; and ADELE JAMPOL from administrative assistant to assistant secretary.

Mr. STOOHOFF is a graduate of the American Institute of Banking and Mr. POYNTON a graduate of the A.B.A.'s Graduate School of Banking.

E. CURTIS MATTHEWS, JR., president, Piscataqua Savings Bank, Portsmouth, New Hampshire, and A.B.A. state vice-president, flew by Constellation to California recently to attend the wedding of his son. He took off on Thursday and expected to be back at his desk on Monday morning.

Specialized Service in

LIFE INSURANCE

safeguarding any form of

CONSUMER CREDIT

including...

PERSONAL LOANS • MORTGAGE LOANS

TIME SALES CONTRACTS

OLD REPUBLIC CREDIT LIFE INSURANCE COMPANY

JAMES H. JARRELL, President

309 West Jackson Boulevard, Chicago, Illinois

Specimen policies and rate-information sent on request

Does the Public Know



EWING GALLOWAY

SALT LAKE CITY

(continued from page 34)

Below is a tabulation of the replies to this question:

Here are 27 banking services. Which do you use? Which do you know about, but do not use?

	CLASS A			CLASS B			CLASS C			CLASS D			CITY AVERAGE		
	Know About			Know About			Know About			Know About			Know About		
	Don't No			Don't No			Don't No			Don't No			Don't No		
	Use	Use	Ans.	Use	Use	Ans.	Use	Use	Ans.	Use	Use	Ans.	Use	Use	Ans.
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Checking Accounts.....	88	12	..	88	12	..	76	24	..	52	48	..	73	27	..
Savings Accounts.....	76	16	8	92	8	..	92	8	..	96	4	..	92.2	7.4	.4
Savings Clubs (Christmas, Others)...	20	64	16	24	72	4	..	88	12	16	64	20	9.8	77.6	12.6
Safe Deposit Boxes.....	80	16	4	72	28	..	72	28	..	80	20	..	74.4	25.4	.2
Trust Accounts.....	8	80	12	12	72	16	4	80	16	4	56	40	5.8	72.4	21.8
Common Trust Funds...	12	68	20	..	88	12	..	20	80	..	12	88	.6	34	65.4
Bank Money Orders.....	24	60	16	44	52	4	4	64	32	16	60	24	16	60.4	23.6
Travelers Checks.....	32	60	8	52	48	..	48	52	..	28	72	..	43	56.6	.4
Cashing of Checks.....	88	8	4	88	8	4	100	..	..	96	4	..	96	3	1
Purchasing U. S. Savings Bonds.....	76	12	12	76	24	..	68	32	..	80	20	..	73	26.4	.6
Cashing War Bonds.....	8	76	16	20	76	4	32	68	..	56	44	..	34.4	64	1.6
Commercial Loans.....	12	68	20	48	48	4	4	84	12	16	48	36	16.2	67	16.8
F H A Loans.....	12	76	12	16	84	..	8	92	..	12	88	..	10.8	88.6	.6
Mortgage Loans.....	8	76	16	24	76	..	..	100	..	16	76	8	9.2	88	2.8
Modernization Loans....	8	88	4	8	80	12	..	84	16	4	84	12	3	83.4	13.6
GI Loans.....	4	88	8	4	88	8	..	100	..	4	88	8	2	94	4
Life Insurance Loans....	4	92	4	8	92	..	4	72	24	8	48	44	5.8	71	23.2
Automobile Loans.....	8	92	..	24	72	4	8	92	..	12	76	12	12.2	84	3.8
Airplane Loans.....	..	80	20	..	96	4	..	4	96	4	8	88	1	27.2	71.8
Small or Personal Loans.	12	84	4	32	60	8	..	80	20	8	88	4	9	78.2	12.8
Home Appliance Loans..	4	88	8	20	72	8	..	64	36	4	64	32	5.2	66.8	28
Farm Loans.....	4	84	12	12	80	8	..	100	..	4	96	..	3.6	94.2	2.2
Loans for Taxes.....	8	80	12	8	80	12	..	96	4	4	88	8	3	90	7
Loans for Doctors' Bills..	4	84	12	4	84	12	..	96	4	4	88	8	2	91	7
Foreign Exchange.....	4	80	16	12	80	8	..	32	68	..	20	80	2.6	41	56.4
Financial Advice.....	8	72	20	36	60	4	16	36	48	24	32	44	21.6	41.6	36.8
Bulk Storage of Valuables	16	72	12	24	72	4	..	8	92	4	40	56	6.6	32	61.4

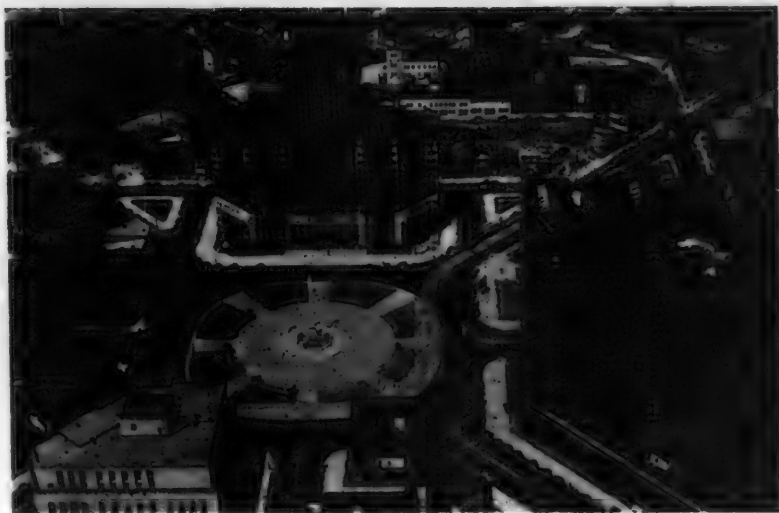
WHAT THE BANKS SELL?

BUFFALO

(continued from page 35)

Below is a tabulation of the replies to this question:

Here are 27 banking services. Which do you use? Which do you know about, but do not use?



EWING GALLOWAY

	CLASS A			CLASS B			CLASS C			CLASS D			CITY AVERAGE		
	Know About			Know About			Know About			Know About			Know About		
	Use	Don't Use	No Ans.	Use	Don't Use	No Ans.	Use	Don't Use	No Ans.	Use	Don't Use	No Ans.	Use	Don't Use	No Ans.
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Checking Accounts.....	93	7	1	94	6	..	62	36	2	10	90	..	57.2	42.0	.8
Savings Accounts.....	90	7	3	91	9	..	85	15	..	58	42	1	79.5	20.1	.4
Savings Clubs.....	33	63	4	33	65	2	42	58	..	32	66	2	37.0	61.9	1.1
Safe Deposit Boxes.....	59	40	1	68	32	..	31	68	1	5	74	21	33.4	61	5.6
Trust Accounts.....	2	91	8	27	72	1	7	92	1	..	38	62	9.1	74.3	16.5
Common Trust Funds...	15	80	5	2	91	7	5	94	1	..	21	79	3.5	74.6	21.9
Bank Money Orders.....	51	48	1	22	74	5	38	62	..	23	57	20	31.9	62.1	6
Travelers Checks.....	19	76	5	49	48	3	37	63	..	2	58	39	29.7	59.6	10.7
Cashing of Checks.....	98	3	..	76	24	..	91	6	3	99	1	..	90.5	7.9	1.6
Purchase of U. S.															
Savings Bonds.....	68	30	3	74	25	1	48	52	..	9	71	20	44.5	50.3	5.3
Cashing War Bonds.....	45	55	..	30	69	1	32	14	5	46	46	7	60.7	34.9	4.4
Commercial Loans.....	13	83	4	28	69	3	4	93	3	2	61	38	8.6	79.5	11.9
F H A Loans.....	8	87	5	2	95	2	12	83	5	..	74	26	6.9	83.4	9.7
Mortgage Loans.....	23	77	..	27	71	2	32	67	1	..	82	18	22.6	72.1	5.3
Modernization Loans...	10	89	1	13	86	1	3	96	1	..	26	74	4.7	76.1	19.2
GI Loans.....	1	94	5	2	94	4	4	94	2	..	35	65	2.4	79.6	18.1
Life Insurance Loans...	13	85	2	6	90	3	5	94	1	2	59	39	4.8	84.3	10.9
Automobile Loans.....	7	93	..	11	85	4	13	87	..	3	49	48	9.8	77.4	12.8
Airplane Loans.....	..	90	10	..	96	4	..	100	..	1	18	82	.2	78.1	21.7
Small or Personal Loans.	18	82	..	15	82	2	17	82	1	..	39	61	12.4	71.6	16.1
Home Appliance Loans..	1	98	2	2	95	3	6	94	..	..	22	78	3.2	76.5	20.3
Farm Loans.....	..	98	2	..	96	4	2	98	..	1	22	78	1.0	78.7	20.3
Loans for Taxes.....	2	97	2	2	95	3	6	94	..	1	27	72	3.4	77.9	18.7
Loans for Doctors' Bills..	1	97	3	1	94	6	5	95	..	1	18	8	2.8	75.8	21.4
Foreign Exchange.....	..	96	4	14	80	6	2	95	3	3	28	69	4.3	75.4	20.3
Financial Advice.....	18	79	3	30	66	4	49	51	..	4	27	69	32.2	49.6	18.1
Bulk Storage of Valuables	4	93	3	9	86	5	8	90	2	..	18	82	6.0	71.5	22.5

North of the Border

THE American soft coal strike hit Canada, though not as severely as it did the United States. Canada now imports from the United States over half of the coal she uses, mainly to supply the industrial and home heating requirements of Ontario and Quebec, the largest manufacturing and most densely populated provinces. Neither area has coal fields of its own and each uses a considerable quantity of Ohio and Pennsylvania coal, though each also uses a good deal of Nova Scotia fuel and occasionally some of that mined in western Canada. Each of these two provinces has extensive hydroelectric systems which furnish power for many industries and public utilities. Moreover, precautions had been taken some time ago by numerous large coal users—the railways, for example—by building up stock piles (coal imports early this year were about 60 per cent above those of the like period last year), while production of domestic mines was increased by nearly 10 per cent. Probably Canada could have gone on another month without suffering much interruption in important industrial operations and to major services, such as railway transportation and electric power and light.

BUT the coal strike did tie up transportation on the Great Lakes and affected enough Canadian industries to check a revival in manufacturing. By mid-April industry had recovered all the ground it lost as a result of the American steel and motor strikes which curtailed part of Canada's essential materials in the first stage of a strong postwar recovery movement.

Now, of course, the cumulative effects of these labor disturbances, a probable decline in American supplies of steel and threatened strikes in several of the largest Canadian industries, have clouded the outlook. In previous issues of *BANKING* the opinion was expressed that the Canadian counterpart of the CIO would cause serious labor troubles if its demands for a 40-hour week and higher wage rates were not met. Confirmation of this preview is now available in a general statement from a union leader: "Unless management and the Government change their position immediately it appears inevitable that almost every major Canadian industry will be faced with strikes some time during June." The major industries referred to are

some of the most important: lumbering, mining, steel, rubber, automobile, electrical apparatus and farm implement corporations. Strikes in these industries would greatly curtail exports of lumber, copper, nickel and lead to the United States.

Canada's new crop season opened under more favorable conditions than a year previous. A better season this year is essential, for total food production in 1945 was at least 15 per cent below that of 1944, while the demand to meet relief and other overseas requirements increased beyond anything ever experienced before. In efforts to meet this exceptional demand Canada has cut her commercial stocks of foodstuffs well below the margin of safety. Wheat, for example, is being shipped out of country and terminal elevators at an abnormal rate and by July 31, before the new crop is harvested, it is expected that exports for the 12 months ending that date will have reached nearly 350 million bushels.

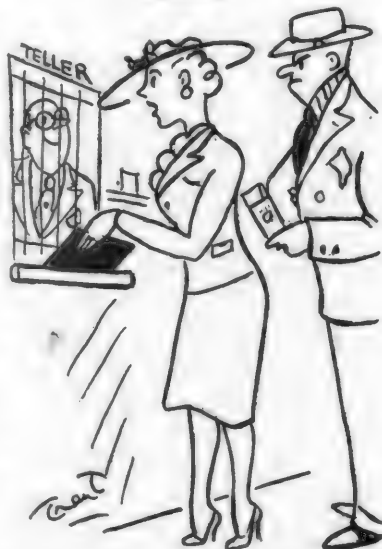
Western wheat growers have planned to expand their acreage in this cereal by over 10 per cent. They got a comparatively early start and with dry weather planting went rapidly ahead. Surface moisture was, however, sapped by drying winds and good and timely rains will be necessary during the next two months to ensure high yields. Coarse grains are expected to be seeded on

slightly smaller acreages, to permit of the increase in wheat and to conform with a moderate decline in livestock farming. Ontario, the most diversified agricultural province and on the average the source of about one-third of all Canada's food, has also been able to rush its planting through an early, dry Spring. This is the most favorable development of all, for Ontario needs more farm labor than any other province, and has less of it than ever before. Without a long, open planting season this year a full acreage could not have been put in.

THE tentative budget of the Dominion Government mentioned in this column last month will have to be rearranged in some important respects as the result of the breakdown in the recent Dominion-Provincial Conference in Ottawa. This Conference was called by the Federal authorities to obtain the consent of the provinces to an extension of the wartime taxation powers, which gave the Dominion Government exclusive rights to several forms of taxation, notably income and gasoline levies, in return for subsidies to the provinces. The federal authorities proposed that these powers be extended for three years beyond the expiry of the present agreement in March 1947 so that they could put into effect the large-scale social welfare program designed to equalize living conditions through the entire country and to implement their general economic plans.

Most of the provinces took exception to some of the Dominion's proposals, but the strongest objections were made by Quebec, Ontario and British Columbia, the two first-mentioned being the richest and largest in population of all. The Quebec premier took the view that acceptance of the proposals might interfere with the sovereign rights of his province. The premier of Ontario was firmly of the opinion that his province, which pays about half of all income taxes, would not receive in return enough subsidies to compensate for its contribution. He and some of the other premiers pressed strongly for the return of certain taxation rights, notably succession duties, which the federal authorities considered impracticable. There may be another conference before long, but meanwhile the financial programs of both the Dominion and the provinces are very much up in the air.

"Mr. Tucker, will you explain deficit spending?"



A.B.A Asks Non-Political Farm Credit

(CONTINUED FROM PAGE 63)

the Cooley Bill, the Bankhead Bill, and the Flannagan Bill. It is the Flannagan Bill that provides for the creation of a bi-partisan Agricultural Credit Board and takes these competing agencies out of the Department of Agriculture.

The Bankhead Bill would amend the Bankhead-Jones Farm Tenant Act to liberalize government leading for acquisition of farms, the enlargement of family-size farms, the repair and improvement of buildings, for the refinancing of indebtedness of under-sized or under-improved farms, etc.

THE Cooley Bill would give what is called in Washington jargon basic legislative status to the Farm Security Administration, which now exists and operates under executive order. Under this new legislation, it would have to go to Congress each year for appropriations. The bill would set up in the Department of Agriculture a new corporation to be known as the Farmers' Home Corporation to which would be transferred the functions, powers, and duties of the Farm Security Administration.

The Cooley Bill provides for what Mr. Thomson describes as a purported system of mortgage insurance under which commercial banks, insurance companies, and private lenders could make 90 per cent tenant purchase loans on farm lands for 40 years at 4 per cent, which loans could be insured by the Farmers Home Corporation. Mr. Thomson said he agreed with a previous witness that the provision of one-half of 1 per cent to be paid by the farmer for insurance would not be sufficient to maintain sound insurance protection.

"The insurance certificate would seem to be the equivalent of a government guaranteed obligation," Mr. Thomson declared, "and with the low interest rates now in effect on government securities we recognize that this insurance scheme might appeal to some banks. Banks should not rely on the government to insure their loans but should take their own risks. Insurance of loans is a dangerous opiate."

FURTHERMORE, the insurance proposal in this bill, if it should be enacted into law, could not fail to have serious inflationary effects. Credit has never been more plentiful than it is now; nor has it ever been as cheap. In addition, if loans are to be insured or guaranteed by the Government, the inevitable re-

sult will be to encourage loose and unsound lending. Such artificial pressures to lend money would add to the inflationary fires. To the extent that more easy credit is made available, it will increase the competition for farm land and contribute to the upward spiral in land prices, thus leading to a greater "bust" when the balloon breaks."

Mr. Thomson was the last witness heard before the Senate committee. He

was preceded by representatives of the farm organizations who urged that the best features of the Bankhead and Cooley bills be combined as Title 2 in the Flannagan Bill, and endorsed this as a "logical approach to the disposition of the three bills before the committee."

With so many persons on the Federal payroll, we presume Congress will soon have to relax the immigration laws to let in some prospective tax payers.

They're all made in Oklahoma!

These and countless other products of the thirteen glass manufacturing plants in Oklahoma represent growing utilization of one of the state's great natural resources—glass sand.

Manufacturing is on the upward trend in Oklahoma. For, along with its resources in raw materials, this state offers power and fuel costs (among the lowest in the nation), ideal labor conditions and central location in the 8-state Southwestern area—an area which had an effective buying income (1944) of more than 17 billion dollars.

This bank, with its widespread Southwestern contacts and with more than 65 per cent of Oklahoma banks as correspondents, is eager to aid industries having Southwestern plans. Let us know if we can assist you or your customer.

THE FIRST NATIONAL BANK
AND TRUST COMPANY
OF OKLAHOMA CITY

Oklahoma's Largest—One of the First 100 in the Nation
Total Resources in Excess of \$200,000,000.00

New York's 447,635 School Savers

SCHOOL banking in New York City is a going concern. Fifty banks are now cooperating, and 200 tellers and clerks are devoting their entire time to this work.

Miss Helen McKeon, director of thrift education for the Board of Education, has announced that the balance in pupils' accounts in New York banks on January 31, 1946 was \$4,781,058.89, an increase of \$585,225.09 over the total on June 30, 1945, the largest gain ever made in a single term in the history of school savings.

During the same period the number of school banks increased from 575 to 598; the gain of 23 was likewise a record for one term. New accounts jumped from 15,511 to 31,150, an increase of 15,639, or more than 100 per cent. The sum of \$259,126.78 transferred to interest-bearing accounts was \$57,672.42 more than last term and a gain of 2,386 accounts over the 3,979 of June 30, 1945. The total number of active accounts stands at 447,635, or more than half the entire enrolment of the New York public schools.

EVEN though teachers and students of the public schools of New York City bought \$169,979,255.99 worth of War Bonds and Stamps during World War II, the school savings program was not discontinued. During the last war year, 1944-45, boys and girls deposited \$1,070,044, an increase of \$270,345 over the previous year. Withdrawals were \$567,247.98, but there was still a gain of \$334,112.80 over the June 1944 balance.

"There is no service more unselfishly being rendered in the city of New York today," says Miss McKeon, thrift director since 1926. "We do not stress amounts, but regularity, and never depositing for the mere sake of depositing, but for the award of self-denial. The small children usually save for a bicycle or some other heart's desire; the older ones most often earmark their savings for college or improvement of the home environment. One seven-year old declared that he was going to buy a blue car when he was 18 to take his mamma on picnics.

"The whole program we consider definitely educational and would like nothing better than to see thrift incorporated into the course of study in the public schools of New York."

The operation of school savings in

New York City, as elsewhere, has been fraught with many difficulties, but has today achieved the fine results described in the opening paragraphs. Representatives have come from Nicaragua, Norway, Portugal, Scotland and Sweden to investigate this system. Today children of more than 30 nationalities are regular depositors. Some of these, acting as interpreters for their parents, who are afraid of banks, urge that the family savings be brought out of hiding to a safe place. As much as \$7,500 in cash has been brought in at one time in bills so old that they had to be laundered before being restored to circulation.

SCHOOL children are encouraged to begin the thrift habit in kindergarten when they must use a fingerprint as a signature. Withdrawals must be made by the children themselves, usually with the written permission of the parents, at the banks, where they are treated as grownups. During the depression, their savings were often of great help to their families and many times were withdrawn voluntarily to pay for food, rent, and other home needs. The weekly 5-cent deposit is considered better than the spasmodic \$5 gift. Every passbook is as important as the next one. Enthusiasm runs high when accounts reach the interest bearing point and depositors begin to realize that the banks are paying them for the use of their money. Accounts may be transferred when chil-

dren move from one school or neighborhood to another.

Some children bank portions of their allowances; others earn what they save. Many accounts are continued after high school graduation. In one study of 1,000 accounts of young people who had left school at least four years previously, 875 were still active. These cards were chosen at random by the selection of every tenth one.

Every effort has been made in New York to keep the mechanics as simple and definite as possible, to reduce the work and responsibility of the teacher to a minimum and to give to school savings the maximum educational value. No teacher handles or counts money, or is responsible for clerical work; no money is kept in the schools overnight. Naturally, all school savings are voluntary and no one type of system is insisted upon. In some cases, high school children are used as tellers; in others representatives of the bank call at the schools for the weekly deposit envelopes; some use the service companies. All these details are worked out between the individual school and the bank.

Two New York banks—the Dry Dock Savings Institution in Manhattan and the East New York Savings Bank in Brooklyn—issue excellent monthly news sheets called, respectively, "Pieces of Eight" and "School Bank News." The banks make no effort to propagandize the schools, but do hope to see school banking incorporated into the curriculum as a regular feature. A fellowship has been suggested to study the position which this subject now holds in the curriculum and the extent to which it might be used.

The general feeling seems to be in accord with a statement made in 1921 by officials of the United States Treasury Department and the National Education Association: "If the American school is to prepare its students for the practical responsibility of life it must assume the task of teaching the problems of life and of giving the instruction and experience necessary to fit young people for the business of living."

FRANCES WESTGATE BUTTERFIELD

"Mrs. Mulligan and I would like to clean out the cash drawer!"



Electrified Housekeeping

(CONTINUED FROM PAGE 39)

home freezers, 2,297,764; ironing machines, 2,033,076; electric ranges, 1,772,402; dishwashers, 1,245,901; electric home laundry driers, 483,701; air conditioners (evaporator), 455,100; air conditioners (compressor), 434,565; electric water heaters, 93,055.

"How will atomic energy affect the electric light industry?" Black was asked.

"That is something for the long haul," he replied. "I think the practical use of atomic energy in power plants is several years off at the earliest."

Black then referred to his remarks about atomic power in his last annual report to stockholders, when he said:

"There appears to be general agreement among scientists that the construction of atomic power plants presents no insoluble technical problems. There are, however, wide differences of opinion as to when, if ever, energy so produced can be economically used to generate electricity.

"Present knowledge of nuclear energy has been directed mainly toward its military use. A vast amount of research and experimentation remains to be done before its practical value for business purposes may be determined. Such research may take several years. There is, however, good authority for believing that if atomic power can ever be economically justified, its production may be accomplished only in very large plants which would supplement rather than supplant existing sources of electrical supply. It may be pointed out also that the expense of power generation is a relatively small fraction of the cost of supplying electric service."

"What is the banker's role in this great new electrical age?" was the next question.

"It's an important one," Black answered. "Already some progressive banks are cooperating with builders, power companies and dealers. They have developed plans to facilitate the sound financing of electrical

equipment sales. In some instances, electrical equipment for new homes has been included in the mortgages.

"The banks are becoming alive to their opportunities. In financing equipment purchases, I believe the ideal method is for a bank to work out a program with wholesalers who in turn will cooperate with individual dealers. Through this plan, homemakers may completely electrify their houses at one time, and enjoy the maximum benefits, instead of being compelled, for lack of funds, to buy their equipment piecemeal over long periods."

The utility executive stressed the imperative need for adequate wiring in all new homes, and declared that here the banker, by his influence, can render a real public service.

Most homes built before the war lack the wiring which will make it possible for their occupants to use all the new products that science will offer. The wires are there, but they will not carry the required electric loads. The public should realize that rewiring a house costs twice as much as adequately wiring it originally.

THROUGH its advertisements in magazines and newspapers, Black pointed out, P.G. and E. urges homebuilders to plan on adequate wiring.

One recent advertisement, headed "Equip your home for modern living—for now and the wonderful years ahead," asks this question: "Will your home have adequate wiring—with plenty of wiring circuits and wire sizes big enough to give you carefree electrical living now and for the years to come?"

The company provides the free expert service of specialists to work with home builders, architects and contractors.

Asked to what he attributes the ever-growing use of electricity, Black gave equal recognition to these factors: the increasing per capita wealth, the development of new appliances, and the steady reduction in the cost of electricity.

He pointed out that San Francisco customers pay only half as much per kilowatt hour as they did 25 years ago. The residential rate (2.7 cents) is 20 per cent below the national average. He referred to a chart which showed that the cost of electricity for home use in San Francisco at the end of 1944 was 47.2 per cent below 1914, while the cost of living was 77 per cent higher. Since the chart was drawn, living costs have increased and electricity costs have declined further.

He predicted that this trend toward higher usage and lower electric costs will continue. In 1935, the average home consumer used 600 kilowatt hours (P.G. and E., 766). In 1942, the average consumer used 1,022 kilowatt hours; in 1945, 1,200 (P.G. and E., 1,345). If this rate of growth continues, by 1955 the average consumer will use 2,200 kilowatt hours a year.

Mr. Black has unbounded faith in the electrical age. He is convinced that the day of better living through science is only beginning.





(1) Federal Reserve—Powers—Removal of Directors of Member Banks—Meaning of "Primarily Engaged in Underwriting"

The Board of Governors of the Federal Reserve System was held to have exceeded its powers by an order removing directors of a national bank from office as such, because they were employees of a concern engaged, to the extent of about 15 per cent of its business, in underwriting.

A decision to this effect was rendered by the Court of Appeals of the District of Columbia on February 13, 1946. The opinion was rendered by Barrett Prettyman, associate justice.

The Board based its order on a provision of the Federal Reserve Act prohibiting from service as a director of any member bank, any officer, director or employee of a business "primarily engaged" in underwriting. The directors removed by the Board sued in the District Court for a writ of certiorari to the Board, or, in the alternative, for a mandatory injunction to restrain the order of the Board. The District Court dismissed the complaint. The Court of Appeals reversed.

The Court of Appeals held: (1) That the Board had jurisdiction to issue orders of removal, (2) that the court had power of review; (3) that the words "primarily engaged" referred to a chief or principal business as measured by a quantitative test.

The Board contended that the words "primarily engaged" meant importantly engaged to a substantial extent. It attempted to give "primarily" the meaning that primary has when the color, red, is spoken of as one of the primary colors. The Board argued that this construction only would effectuate the intention of Congress to divorce commercial from investment banking.

The court held that Congress intended the quantitative test. The court noted that the term "primary" may refer to a plural. It may be applied to a plurality of items in order to distinguish

Here are brief summaries of the questions considered this month. Citations are available on request.

(1) Federal Reserve—Powers

An order removing directors of national bank from office for engaging in underwriting, held not within power of Board of Governors of Federal Reserve.

(2) Sale of Money Orders by Corporation Contrary to Banking Code.

A corporation, not a bank or company specified in Banking Code in Pennsylvania, was ordered to cease selling money orders in the form of its own draft payable through a bank.

(3) Assignment to Bank—Priority.

An assignment by a contractor to a bank of moneys to become due from a county for public work had priority in Washington over a conditional assignment to a surety.

(4) Joint Accounts—Survivorship.

Right of survivorship of a joint account held not defeated by will or self-serving declarations of settlor.

(5) Savings Bank—Loss of Pass Book

Requirement that owner of lost pass book must indemnify bank before issuance of new book held unreasonable in view of the circumstances.

(6) Interstate Commerce—Fair Labor Standards Act

A night guard of a bank is not engaged in interstate commerce within the meaning of the Fair Labor Act even though the business of the bank includes interstate commerce.

that group from still others as secondary. But when applied to a single subject it always means first, or chief, or principal.

The court said that Congress did not, as the Board stated, prescribe complete divorcement of commercial from investment banking, but only dissolution of common control.

The court also held that this was not a suit against the United States, unauthorized because not consented to by the United States, and that injunction was the proper form of action.

A forceful dissenting opinion by Associate Justice Edgerton presents the plausibility of the Board's contentions. He says that underwriting was one of the firm's primary businesses, and it was not only incidentally engaged in that business.

On April 29 a writ of certiorari in this case was granted by the United States Supreme Court.

(2) Unauthorized Banking—Sale by Corporation Not a Bank, of

Money Orders for Transmittal

A corporation which is not a bank or an express, steamship or telegraph company, which sells money orders in the form of drafts on itself payable through a bank, may be ordered, in Pennsylvania, to cease such practice.

The Pennsylvania Supreme Court last March sustained the validity of an order by the Secretary of Banking directing the Commercial Banking Corporation to discontinue the business of selling money orders.

During 1944 the company had sold money orders in Pennsylvania, by draft through the Philadelphia National Bank, to the number of 100,000, aggregating \$1,400,000. Sec. 1505 of the Banking Code, as amended, 7 P.S. 819-1505, provides that only banks, bank and trust companies, savings banks and private banks, express companies, steamship companies and telegraph companies may receive moneys for deposit or for transmission.

The court held that the company was engaged in the business of receiving

monies for transmission, saying in its opinion:

Every act in the process of transmission need not be done by plaintiff itself. It is sufficient that it has set up a method by which the money may be transmitted to a distant payee, and itself pays the money pursuant to the money order.

The act of the customer in mailing the money order to a distant creditor does not transmit the money but does place in the creditor's hands the instrument which enables him to compel the transmission of the money from the plaintiff to himself.

The company contended that it was not different from an express company except that it did not have powers to engage in the express business. The court said that the statute made a specific exception in the case of express companies, and that the party who attacks a classification by the legislature has the burden of proving that the classification is unreasonable. The plaintiff made no such showing.

(3) Assignments—Priority of Subsequent Assignment Over Conditional Assignment—Effect of Notice

An assignment to a bank, in the State of Washington, as security for advances of moneys due or to become due from a county, has priority over a similar assignment to a surety company, to secure a bond on a contract for county public work, executed at the date of the contract but conditioned to become effective in case of default of the contractor.

This is the effect of a recent decision by the Supreme Court of Washington. The bank had no notice of the surety company's assignment, but the absence of notice seems to have been immaterial. The surety company's assignment had not become effective, because the contractor was not in default at the time he executed the assignment to the bank and obtained advances thereby. It was not shown that the advances were made to enable the contractor to complete the contract, but the court held that the bank was not required to trace the advances into the construction work in order to prevail. The court dealt with the equities as follows:

"In conclusion, we will say that, in our opinion, the equities do not lie with the bonding company. It could have protected itself against any possible future assignment to the bank by making its own assignment from Nees absolute, instead of conditional, and, whether absolute or conditional, giving notice thereof to the county at the time it approved the construction contract

and filed its bond. This it did not do, but, rather, by its failure so to do, permitted the bank to take a valid legal assignment, without notice of any prior rights, and advanced monies on the security thereof. The court thus leaves for implication the result where the surety company gives notice to the county or to the bank of a conditional assignment."

The court said, however, that as between the surety company and the contractor, the conditional assignment, upon the contractor's default, related back to its original date, but without any effect on the right of the bank to collect the amount assigned to it.

(4) Joint Accounts—Survivorship

The right of survivorship of a joint account trust cannot be defeated by will or by self-serving declarations of the settlor.

The Court of Appeals of Maryland sustained the right of survivorship in a decision of March of this year, although the will of the deceased joint tenant contained a legacy to a person other than the surviving joint tenant, payable "from my bank accounts which are in joint names for my own convenience."

The account was opened in 1914, and stood in the same form at decedent's death, in the following words:

"William Bradford in trust, until withdrawal hereof, for himself and Mabel B. Moore, joint owners subject to withdrawal by either, the balance at death of either to belong to the survivor."

Mabel B. Moore was the decedent's niece. The legatee was his sister.

The court held that the right of sur-

"What do I want the money for? Why, to spend, of course!"



"And/Or"

A court of New York State considers "and/or" meaningless in a pleading and will strike out an allegation containing it. The use of the expression may, therefore, vitiate any document. The Appellate Division recently said:

"The use of the conjunctive disjunctive form of expression 'and/or' renders the allegations of a pleading equivocal and makes it difficult to understand and the meaning intended. . . . The motion to strike same should have been granted."

vivorship could not be revoked by will. The declarations made by the decedent to the draftsman of the will were excluded as hearsay and self-serving. The writing by which the account was opened and trust declared was clear and unambiguous.

(5) Loss of Savings Bank Pass Book

The requirement of a savings bank by-law that the owner of a lost pass book must indemnify the bank by bond as a condition to issuance of a new pass book, may be unreasonable under some circumstances.

A lady depositor, in 1937, lost her pass book issued by a New York savings bank, which showed a deposit of \$3,260. She promptly notified the bank, and asked that a new pass book be issued. The bank required her to file a bond to indemnify it against loss, in accordance with its by-law. She was unable to procure such a bond, and was prevented from making any withdrawals. Eight years elapsed, and then she brought suit against the bank for the amount of the deposit balance. The lower court gave her a summary judgment, and the Appellate Division, Third Department, affirmed. The Appellate Division reasoned as follows:

The depositor was a creditor of the bank for the amount of the deposit. The requirement of a bank that it be indemnified against loss in case of a lost pass book, before issuing a new pass book, is, in the ordinary case, reasonable and might be enforced. But in this case, in view of the long lapse of time, the quite evident loss of the pass book without assignment, and the equally evident inability of the depositor to procure an indemnity bond, the enforcement of the by-law providing for an indemnity bond would be unreasonable and arbitrary. The Banking Act permits payment to a depositor, in such a case,

upon judgment of a court of competent jurisdiction. The legal right to enforce the letter of the contract between the bank and the depositor must yield to the more substantial requirement of justice. Under the exigencies of this case, strict enforcement would result in injustice.

(6) Interstate Commerce—Fair Labor Standards

The duties of a local employee of a trust company engaged in interstate commerce, which have no relation to interstate commerce, do not bring him within the appli-

cation of the Fair Labor Standards Act of 1938.

A night and holiday guard of the Provident Trust Company of Philadelphia sued the bank for double compensation for overtime under the act. The Circuit Court of Appeals held that he was not entitled to the benefit of the act, since his duties had nothing to do with interstate commerce. The Court said:

"It is the work of the employee and not the nature of the employer's business that determines the applicability of the Act."



"See here! I asked for a pound of butter and you gave me a gold brick!"

It isn't the \$50,000 a mile that a good road costs which is so expensive; it's the wrecked cars and funeral expenses that follow.

The cynics say that after the nations of the world see how easy it is to get money out of us, they will recognize the folly of fighting each other for it.

A man has real courage when he isn't ashamed to ask the clerk for something cheaper.

During World War II we at least learned a cotton plant could produce wool and olive oil.

Federal aid is simply a system of taking money from the people and making it look like a gift when you hand it back.

The most difficult problem in developing a colonial empire is to keep inferior people inferior.

Foreign missionaries will be more successful when they can show civilization to the heathens and not merely tell them about it.

We never could quite understand why children are too young to work under 18, but are old enough to drive a \$1,500 car 70 miles an hour.

A parking place is where you leave your car to have the wheel base shortened and the trunk caved in.

A man is happily married if his wife is boss but doesn't know it.

It's a comfort to know that the wars the world fought in the 11th and 12th centuries are paid for.

One thing the income tax figures don't show is how much untold wealth we have.

BANKING

BUILDING PERMITS HIT ALL-TIME HIGH

Smashing its own previous all-time record in building permits by a spectacular margin, Los Angeles again led the cities of the west in new construction last month.

The permits here totalled \$29,838,293 for March, compared to \$22,249,262 for August, 1923, the previous record month.

Second on the list of the 25 leading construction cities of the west was San Francisco, with \$12,718,603. Third through sixth were Long Beach, Honolulu, Seattle and Portland, all with valuations over the \$5,000,000 mark.

Reprinted from Southern California Business, April 20, 1946

Again Los Angeles leads the West. This is a natural result of the growth in population and tremendous increase in industrial development.

This development means greater opportunity to serve our correspondent banks. We are ready to give immediate attention to any financial transaction in this area involving any of your clients.

CITIZENS NATIONAL BANK

HEAD OFFICE: Established 1890
15TH & SPRING STS., LOS ANGELES FEDERAL DEPOSIT INSURANCE CORP.

GEORGIA— THE FIRST STATE IN THE UNION to inaugurate a Department of Agriculture!

Opportunity is abundant in this agricultural empire, where every farm product grown between the Great Lakes and the Gulf, including livestock and dairy products, can be produced.

The Fulton National Bank is a focal point for friendly, speedy and careful correspondent banking service. Your inquiries are invited.

The Friendly National Bank

The Fulton NATIONAL BANK
COMPLETE SERVICE AT 5 OFFICES IN METROPOLITAN AREA OF ATLANTA

MEMBER FEDERAL RESERVE SYSTEM
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Permit and Priority

A PENNSYLVANIA banker asked BANKING about the possibility of getting a permit and priority, under the latest building regulations, to complete an addition to his banking quarters.

According to the best information obtainable through BANKING's Washington office no permit is required under CPA Veterans' Housing Program Order No. 1 to complete work which was begun before March 26. This is provided any of the materials which are to be an integral part of the structure had been incorporated in it on the site before that date and the work was actually being carried on at that date. Here are the further details and the answer given to this inquirer:

"In your letter you state that the work on the addition to your banking quarters was started prior to March 26. The CPA has ruled that in the case of new construction no permit is required under VHP-1 if at least the footings have been laid down for the foundation before March 26.

If, however, only the excavation for the foundation had been completed on March 26 a permit will be required. You do not state how far the work on your addition had progressed on March 26, but if materials had then actually been incorporated on the site it would seem that work could be continued after that date without obtaining a permit from the CPA.

"We took up with the CPA the matter of priority assistance and they advise that such assistance except in the case of veterans' housing was given only in unusual cases where public health or safety was involved or to restore property which had been damaged by fire or other natural causes.

Manuel Roxas, center, president-elect of the Philippines, talks with President Truman and Paul V. McNutt, High Commissioner to the Islands



PRESS ASSOCIATION

They stated, however, that priority assistance did not appear to be necessary in your case since manufacturers and suppliers are required to set aside only a certain percentage of their products to be used under priorities for veterans' housing.

"We mentioned that the brick company had cancelled your order for bricks and was informed that brick manufacturers had been required to set aside only 60 per cent of their output

to be used for veterans' housing so that the remaining 40 per cent should be available for work such as yours. It was suggested that you contact the brick company again as some of the producers have not had a clear understanding of the CPA orders and that there is a possibility that the brick company in cancelling your contract may have done so with the impression that it could not supply any customer without a priority."

*One way
you
look at it,*



**it looks like blocks standing
out on the page.**



**Another way, it looks like steps leading up
to the right hand corner. Anyway you look
at Louisville, look to the First National for
correspondent service.**

First National Bank

MEMBER F. D. I. C.

The Oldest National Bank In the South

MAIN OFFICE, FIFTH & COURT PL., LOUISVILLE

"Ex-Imp" and "Fundnbank"

(CONTINUED FROM PAGE 41)

told the House of Lords that the sterling agreements were a poor substitute for BW, with modification they could still constitute in effect a substitute system on which the British may fall back, in the event the United Kingdom should withdraw from the Fund. In that case, it would be necessary to multilateralize the bilateral agreements, as has been begun in the case of the Brazilian agreement. Thus the sterling area would expand and the influence of London as a financial center would increase. The British have been wondering whether the United States will be satisfied that the expansion of the area of sterling convertibility recently begun is not discriminatory.

THE bilateral payments agreements, under which each country undertakes to accept the currency of the other, have had the advantage of giving Britain access to foreign credits. For example, Sweden under the Anglo-Swedish agreement sends goods to the United Kingdom and on balance adds to its sterling holdings. The sum total of several such agreements suggests one of the purposes of the recently inaugurated World Fund—a pool to give its members access to limited amounts of foreign exchange more or less automatically.

Under the BW Fund agreement there is a not precisely set transition

period of five years—it may be more or less—during which exchange controls on current transactions may be retained by the members. Under the U.S.-U.K. loan agreement, Britain undertakes to remove such restrictions after one year. This will of course affect the bilateral sterling agreements. Latterly Britain has sought to impart flexibility to those bilateral agreements by permitting, in certain cases, sterling balances accumulated thereunder to be used in other sterling-agreement areas. As between Brazil on the one hand, and the monetary areas of Belgium, Netherlands, Denmark, Norway, Sweden, Finland, Greece, Spain and Turkey, the Bank of England now permits for current transactions freedom of movement of previously blocked sterling balances. Thus in a measure Brazil is added to the sterling area.

WHEN and as sterling is further "multi-lateralized" in this manner, other countries will become more and more willing to keep balances in London and to use the financial services of the city. The British believe that London can provide a cheaper financial service than any other institution, including the World Fund. The Fund, of course, does not offer the specific financial services offered by London and New York. But its credits may be described as de-

signed to compete indirectly with such other credits.

While the British have no intention to use the Fund themselves, except as a last resort, their immediate needs being amply provided for in the U.K. loan agreement, they realize that in the immediate future the Fund will prove very attractive to various other countries having persistent shortages of foreign exchange. All the war-devastated countries are in this category. The great danger to be guarded against is the use of the Fund's temporary credit facilities for permanent purposes, the British believe. In other words, the danger is that of the Fund becoming frozen. The Fund, incidentally, will indirectly serve to support sterling.

A further indication of the City's efforts to stage a comeback was the extension of a £1,000,000 commercial credit by Hambros Bank to the principal Czechoslovakian banks, recently nationalized. Earlier the British Treasury had opened a £5,000,000 credit for the Czechoslovakian Government, while the Anglo-Czechoslovak monetary agreement in effect provided £1,000,000 additional. The Hambros credit is "to finance" raw material imports into Czechoslovakia. It is renewable from year to year. Drafts against the credit will be discounted in the London market. Other London credit lines of pre-war type are being established, notably for British trade with Scandinavia.

Camille Gutt of Belgium is managing director of the International Monetary Fund

The TRANSIT CROSSROADS of the NATION



Here in the "Heart of America", at the geographical center of the country, where air and rail routes cross in their swift travel from coast to coast and from border to border... here is the Commerce... with 24-hour transit service, with private wires to all principal cities, and direct sending of items that is unequalled in the U. S. ... ready and eager to serve you.

Commerce Trust Company

KANSAS CITY, MISSOURI

Established 1865

Member Federal Deposit
Insurance Corporation



PRESS ASSOCIATION
BANKING

Washington As Financial Center

Not only do the British wish to restore the importance of London over New York as a financial center, but especially they would like to see a reversal of the trend to concentrate financial powers in Washington. Apart from Britain's present economic weakness as compared with the United States, a condition it is hoped to better as time passes, London feels it can meet competition from New York on better than equal terms. But credit from political Washington is not predicated on profit. In competing with Washington, therefore, the City is at a marked disadvantage.

Thus at the Savannah inaugural meeting of the World Fund and Bank the British delegation did everything it could to avoid having the headquarters of the new institutions located in Washington. Since the headquarters had to be in the U.S.A., because this country is putting up the largest stakes in Fund and Bank, the British wanted them located in New York, but of course they did not have the votes to get their way.

LOCATION of the main offices of the Fund and Bank in Washington adds materially to Washington's status of world financial center, a status which has been in the making for a number of years now. Although the Treasury Department officially denied it in a formal press release in 1944, former Secretary of the Treasury Morgenthau a few weeks ago publicly stated that for 12 years he had sought "to move the financial center of the world from London and Wall Street to the United States Treasury." A Treasury press release of June 1944 issued in the name of Assistant Secretary of the Treasury Harry



John G. Winant, former Ambassador to Great Britain, is now U. S. representative on the U.N. Economic and Social Council

D. White, however, denied having ever held the view "that the country's money center should be transferred from New York to Washington, where it could be given proper control."

When Inflation Rules

According to press reports, on which we must rely for most of our information on Eastern Europe, the Hungarian Government has announced plans to put the country's economy and finances on a "sound basis." The Government hopes to end inflation this year and stabilize the value of the pengö. To this end it is looking for foreign loans. Basic are the Government's plans to keep the key position in industry for itself, to direct private enterprise, and to exercise strict control over banks.

Hungary has been experiencing, for the second time, hyper-inflation. Before the war an American dollar would buy about three and a third pengös. In April, correspondents reported, a dollar would buy 220 million pengös. Whether Hungary has an OPA we do not know, but if so, price control does not have any effect. The price of an egg illustrates what we mean. In September 1945 one egg cost 60 pengös. By March the price had advanced 1,000-fold.



INVESTORS SELECTIVE FUND, INC.

Prospectus on request from Principal Underwriter

INVESTORS SYNDICATE

R. E. Macgregor, President
Minneapolis, Minnesota

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HITCH your BANK to a HOUSE

Many hundreds of progressive independents and chain banks from Coast to Coast have adopted the House-of-the-Month Plan... the SUCCESSFUL mortgage development program.

At a cost so low that any bank regardless of size may subscribe and expand the plan as its own individual program dictates.

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Personal Representation in All Banking Areas



Early in April an egg—although not necessarily the same one—cost 350,000 pengös, and by the end of April the price was reported as 2,400,000 pengös. At that time the Government had just issued a new series of 100 million pengö notes, but since their purchasing power was less than the cost of manufacture, their early withdrawal was being predicted.

Credit to Poland

Press reports in May that the United States might withhold the larger part of the \$90 million credits recently arranged for Poland raise some interesting questions. The difficulty which arose had to do with Poland's promise, as one of the *quids pro quo*, to publish the exchange of notes with the U.S.A. embodying Poland's free-elections pledge. At the time of the reports most of the credits still were undrawn. Otherwise there could have been no thought of withholding them.

One is led to wonder what remedy the United States would have for its displeasure with the actions of a foreign borrower after a credit has been completely drawn down. The fact is that political considerations are major considerations in the recent credit activities of the Export-Import Bank and other government agencies. Such considerations dominate the negotiations with all foreign borrower governments, however much a given loan may utilize attributes of a business arrangement. The dictionary says that to lend is "to grant for temporary use, on condition of receiving a compensation at certain

periods, . . . and ultimately the thing itself or its value." All over the world, in countries where American billions have been going, we see political values shifting and tumbling like colors in a kaleidoscope.

Most of the Government's recent foreign lending has been for long periods of years. The longest, of course, is the U.K. loan, which is to run for 56 years, including the six-year period of grace. It is not generally realized that the Export-Import Bank has been for some time making foreign reconstruction loans with just such a period of grace. For example, the Ex-Imp's release of April 24 on the credit to the Provisional Government of Poland (even the word "Provisional" connotes uncertainty) states:

. . . The terms of the credit are in general similar to those of reconstruction credits extended by the Bank to other European countries during the last half of 1945 and the first part of 1946. Interest over the whole period of the loan will be 3 per cent per annum. Principal payment will be in semi-annual instalments beginning in 1951 and continuing over a period of 20 years.

Thus, for whatever the *quid pro quo*, the U.S.A. well before ratification of the British loan established a new precedent in international lending—the loan with the breathing spell.

Bank Public Relations

Many important phases of bank public relations were discussed at a meeting of the A.B.A. Public Relations Council in Chicago on May 23-24.



"Well, well—another deposit from the Uptown Novelty Company!"

William H. Neal, Council chairman and vice-president, Wachovia Bank and Trust Company, Winston-Salem, N. C., presided.

Topics considered included: What the average bank is doing or not doing in public relations; what the A.B.A. can do to help the banks do a better job; public opinion poll, three phases of which include: (a) public, (b) molders of public opinion, and (c) bank employees; national advertising; median expenditures for advertising by banks; films; handbooks; "Building Business for Your Bank"; community building; and radio programs.

Will those economists who believe a deficit and large debt are advantageous, please step forward now and run the world?

To be fair you have to admit it's remarkable how many of our people escape being run over by cars.

The average public speaker is not only loquacious, but he also talks too much.

If the President wants some really seasoned timber in his cabinet, he might take over that plank in the 1932 Democratic platform about reducing expenses and balancing the budget.

What we would like is a calendar without any first of the month.

Communism must be growing faster here than we think. All these burglaries are committed by persons who believe one man's property is the property of all.

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Enquiries are cordially invited.

General Office - Toronto, Canada

The BANK of NOVA SCOTIA

Over a Century of Banking Experience

The Consumer Credit Digest

(CONTINUED FROM PAGE 49)

note other significant relationships. While total consumer credit, which includes instalment sales credit, charge accounts, single payment loans, as well as consumer instalment loans, increased by approximately 30 per cent from 1929 to 1941, consumer instalment loans had increased by approximately 218 per cent. At this rapid rate of growth, consumer instalment loans were raised from a relatively insignificant position to become a major part in the structure of consumer credit.

But while total consumer loans were multiplying by slightly more than three times, bank totals multiplied more than 18 times. If insured repair and modernization loans are included, the total of direct instalment lending by banks to consumer borrowers was in 1941 more than 23 times greater than in 1929. Not even the national debt increased that fast. In the space of a few years, commercial banks had assumed a leading and dominant position in the field of consumer loans.

It is interesting, moreover, to note that this growth on the part of the banks in the field of consumer loans was not at the expense of their competitors. To be sure, the competing institutions declined statistically in relative importance. They were, however, able to maintain their loan totals and to increase them although to a much lesser extent than was true of bank totals.

But just what does this record of the past mean for the future? Do the ratios of the prewar years indicate a peacetime pattern? Are direct consumer loans going to hold their relative position of the last prewar years in the forthcoming postwar period? Are banks going to maintain their position?

Being a prophet in a rapidly changing world is dangerous. I have suggested above how wrong one might have been if one had attempted a prediction on the basis of the record of the first five years of direct consumer lending by banks. Numerous variable factors are involved, the habits of consumer borrowers, the practices and policies of competing lending agencies, the practices and policies of the banks, existing regulatory laws and changes of them.

One cannot, however, but be impressed by the record of the growth of direct consumer borrowing during the 1930's. It indicates that there was an increasing number of consumers alert to the advantages of direct borrowing as against some other way of financing their needs. Is there any reason to suppose that they will be less alert in the period ahead? *I see no reason to think so and therefore it seems reasonable to assume that direct lending to consumers will retain approximately the same relative importance it had achieved in the prewar years. If this is so, and if consumers buy on credit to the same extent as in the past, and if the national income maintains the anticipated levels, consumer instalment loans may easily reach a total of \$3 billion.*

Also, there does not seem to be any reason why the relative position of the banks should change materially from what it was in the latter prewar years. If there were more space for this discussion, a number of factors might be indicated which suggest the possibility of strengthening the relative position of banks. Leaving these factors aside, it seems reasonable to expect direct lending by banks to run *well over \$1 billion before the end of 1947.*

A number of things might be said about this amazing development of bank credit. It is a great achievement but it also has its dangers and more importantly, its responsibilities. More about this in a later discussion.

Russia's Isolation

(CONTINUED FROM PAGE 42)

accomplished under our private enterprise system and to see for himself how it has resulted in the development of the initiative and the ability of our citizens to a point that has enabled them to provide for themselves, under religious and personal freedom, a high standard of living which has made for peace in our country until the poison of communism began to permeate our economy.

This poison has led to the deterioration of many of the finest characteristics of the American people. We have been led into a spirit of carping criticism of each other and of everyone else. We are losing the spiritual strength that made us a great nation and the justifiable pride that we had in our institutions and methods, which made life in the United States so worth while.

We must, if we are to save ourselves and the world, stand up for our principles. We must not allow our voices to mingle in the babel of criticism now being heard in all nations.

On the contrary, we must let them join in the great harmony that can prevail if we confine our criticism to ourselves and seek the accord of others in this world of ours, which will lead to the restoration of our spiritual strength that is necessary if we are to resume our position as a great progressive nation.



"Funny thing, but every time Miss Gray goes out with a depositor his account winds up overdrawn!"

DICK HIGGINS

Your Reading

Overseas Investment

INTERNATIONAL INVESTMENT AND DOMESTIC WELFARE. *Norman S. Buchanan.* 249 pages. \$3.75. Henry Holt and Company, Inc.

THIS is an analysis of the importance of overseas investment in maintaining national income and employment in the United States. Estimates of capital depletion and destruction in combat and other areas are examined. It is pointed out that most physical reconstruction must be done in the locality, with local labor and materials. Only a very small proportion of the value of any structure can be imported. The bulk of imports will have to be consumer goods, rather than capital goods.

An examination of foreign assets in United States currency is made. The author concludes that the United Kingdom will require some form of special assistance.

Professor Buchanan states that required dollars should be secured by the export of goods to the United States rather than by borrowing. To facilitate this, he is sympathetic toward United States stockpiling of raw materials, and reductions in our tariffs.

Our Debt

THE NATIONAL DEBT AND OUR FUTURE. *Elton Raymond Shaw.* 189 pages. \$2.50 cloth. \$1.50 paper. Shaw Publishing Company, Washington, D. C. 1946.

HERE is a non-technical examination of the theories of deficit spending by governments. An appendix contains the reprint of a paper by Dr. L. Albert Hahn.

The case against deficit spending and expanding national debt is developed very well, although little new material has been added. The style is understandable.

Taxation

POSTWAR TAXATION AND ECONOMIC PROGRESS. By *Harold M. Groves.* McGraw-Hill. 432 pages. \$4.50.

HERE is a research study for the Committee for Economic Development. Appraising postwar taxes and their effect on business, government financing and state and local taxation, the book in-

cludes quantitative estimates of income tax yields under varying conditions, together with a critical evaluation of proposed systems and the author's recommendations to CED.

Mr. Groves finds that taxes should be fair, that they should "reduce inequalities in wealth, income, and power"; conserve human resources; preserve incentives. Also, they should be "as direct as possible," widely shared; and adequate. Tax reductions, and tax increases, he says, "serve as stimulants and narcotics to business, and these drugs should be administered so as to mitigate rather than to aggravate business instability." Reductions "should be reserved for depressions," while increases, so far as possible, should be levied during prosperous periods.

Other Books

BLACKWELL'S BUSINESS MATHEMATICS. By *C. D. Blackwell.* Richard R. Smith. 235 pages. \$5. A handbook designed to aid bankers, business men, lawyers, and real estate brokers, this manual uses the step-by-step method to show the reader how to solve financial problems in compound interest, amount of annuities and their current worth, sinking funds, partial payments, amortization, usury, arithmetical progression, etc. A number of reference tables are included, at various rates of interest.

A CENTURY OF AMERICAN LIFE INSURANCE. By *Shepard B. Clough.* Columbia University Press. 402 pages. \$4.50. This is a history of the Mutual Life Insurance Company of New York's first hundred years, 1843-1943.



"We just popped in to give my husband's account a quick changeover!"

Financial Lesson No. 1: No nation can successfully fiat its way out of a big debt.

What we like about Spring is that you can call plain laziness spring fever.

Money doesn't mean everything, but when we look at present prices it seems everything means money.

We often wonder what became of the old eighth grade copy books with their maxims on economy.

One thing we seem to have gained out of the U.N. is a determination by the big nations not to let the little ones fight.

If Joe Stalin has a pet cat, he probably strokes the fur toward the neck.

Spring with its wild flowers may come and go, but the blooming idiots are with us always.



There are many alternatives
but only one "Waldorf"

The
**WALDORF
ASTORIA**

PARK AVENUE • 49TH TO 50TH
NEW YORK

The War Against Famine

(CONTINUED FROM PAGE 43)

we shall have at home the shortest supplies of flour and bread and other wheat products that we have seen in years. All Americans whose incomes permit them to make use of other foods in place of wheat products, and whose physical exertion in their daily work does not require heavy cereal consumption for energy should limit drastically their use of wheat products.

Finally, I am sure that you wish to know whether this is a short-time emergency, over when the new crops come in, or whether it will recur next year. Every report coming before us makes it plain that the present famine is not a short-run emergency that ends on July 1.

The present food shortages have been seriously aggravated by drought in many parts of the world, but even with good weather the wartime destruction of agricultural facilities will be felt for a long time. Farm animals and farm machinery have been destroyed. The strength of farm workers has been weakened by poor nutrition. Fertilizers are extremely short.

Because it was immediately upon us, the problem of keeping people alive until this Summer's harvest had been tackled first. That is why the Famine Emergency Committee has called for sharp voluntary reduction of human consumption of grains, fats and oils. This is why we have urged that more grain be diverted from the nation's feedlots. These measures support the direct governmental steps that have been taken; they are absolutely necessary to avert mass starvation during the months before the harvests abroad begin this Summer.

The emphasis necessarily placed on the 120 days from March through June

does not mean that the threat of famine will then be over. These 120 days are the first lap in the race; we have to win it, or untold millions of our fellow human beings will be eliminated. After we win that first sprint, there will be a breathing spell before mass hunger reappears in the late Winter of 1947. This nation should start to work now on a soundly constructed program to meet it when it next reappears.

Would some explorer please tell us whether the Eskimos are a sad people? They do have their daily blubber.

A great many politicians this Fall will have to become ventriloquists if they expect to hear anything that sounds like "the call of the people."

Someone has asked what becomes of those folks in the Winter who run roadside vegetable stands in the Summer. We assume they become burglars.

We're glad the doctors are trying to find a cure for actual insanity. The lawyers have found that legal insanity can be readily cured by a verdict of acquittal.

Splitting an atom would not be too difficult for a salaried man who divides his income between the Treasury and his family.



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Education should not only broaden the minds of our youth but do a little something about their depth.

The cynic may wonder what World War II made the world free for. We don't know, but it looks like a free-for-all in some nations.

Herbert Hoover reports on his world food survey to President Truman and Secretary of Agriculture Anderson



PRESS ASSOCIATION

June 1946

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BANK SECRET

MARY BOLLES

MRS. BOLLES is with The First National Bank of Hartford, Connecticut.

I'M A SECRETARY in a bank. As such I often hear news and views of a confidential nature. What I'm going to tell you is perhaps the biggest secret I've been privileged to listen in on. It's not a secret—confidential; it's a secret that is a key.

Yes, here in our banking fraternity we have a secret, a key, more precious than all the money in our vaults. It is working for us every day, but perhaps, like many things that are too close to us, we've failed to recognize it. We should recognize it, and pridefully. I'm not sure that it isn't the secret, the key, that people everywhere are seeking. If more generally recognized, more often applied, could it perhaps unlock the way to a new kind of success in business relations, a new kind of satisfaction in human relations?

I'm referring to the *esprit de corps* between banks and bankers, the goodwill . . . the spirit of the big fellow backing up the little fellow instead of knifing him in the back, the sharing instead of snatching. Here's what I mean . . . visiting presidents, vice-presidents, or other officers from out-of-town banks who frequently drop in "just to talk," are surely ambassadors of goodwill.

CAN we help you in any way at all?" . . . "Perhaps we've found through

"It's not dark yet. Do you suppose I dare?"



experience some methods or procedures which might save you headaches" . . . "We've been putting a lot of study into this or that particular problem of late—perhaps we've found some of the answers. Would you like to read our reports, look into our files, go over the results of our survey?" . . . "Would you like to send a man down to our bank who could perhaps spend a week studying our loan or credit procedures?" . . . "Have you got a customer in our territory that we can help you to sell, or with whom we can put in a good word? Or would you like us to take hands off, keep out of the picture entirely, give you a free hand?"

Do you see what I mean? Cooperation instead of fear . . . helping instead of hindering. What do you think this spirit would do if generally applied in industry, in labor, in politics; what do you think it would do in families, between nations? I'm not saying this kind of spirit doesn't exist outside of banking. I'm saying it's a great thing when you do see it. It's the stuff that peace is made of. Rarer, richer than the gold in vaults.



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MR. BARRETT

The Mutuals Fight Inflation

ACCEPTING the presidency of the National Association of Mutual Savings Banks at the conclusion of its three-day economic conference, A. George Gilman, president of the Malden (Massachusetts) Savings Bank, pledged the services of mutuals to combat the forces of inflation as a part of the guardianship of the \$15 billion of savings entrusted to their care.

"In turning from war to peace, savings will continue to play a vital role in our economy," Mr. Gilman said. "Savings, which during the war provided the sinews of battle, can now be counted on to furnish the capital expansion needed for a prosperous peacetime economy—the new machines, factories, and homes.

"But if the potentialities of our nation for economic good are to be realized, there must first be a clear-cut victory over the forces of inflation. The war is over, but the inflationary forces set in motion by it still operate. The amount of restless money in circulation continues very large. It was recently announced—and I find it disquieting news—that the expenditures of consumers are running at ever increasing levels. Buying is tending to be in advance of the supply of goods. Saving is the natural antidote for these inflationary tendencies. The public responsibility assumed by the members of this association during the war of encouraging



Mr. Gilman

adequate savings is not yet wholly discharged. It is a responsibility not only to the nation but to our 17 million depositors that the value of the dollar shall be kept as nearly steady as is practicable.

"There is some good news to report. In the first quarter of the year the federal budget showed a small surplus and for the next fiscal year this favorable balance should be even greater. The huge cash balance accumulated near the end of 1945 is now being used to retire public debt—the first material move in this direction for over a decade and a half. During the past few weeks the first steps of a firmer monetary policy have been taken. Although there may be some who regretted the loss of

paper profits in government security portfolios that accompanied this action, I, for one, welcome it as constructive evidence that our fiscal and monetary authorities do not propose that savings should be paid less than a living wage.

"But these new circumstances mean new problems for the institutions of savings. The steady stream of new Federal Government obligations that roughly paralleled the course of savings during the wartime has come to an unregretted end. Hereafter the outlets for new savings must be found in corporate issues, home mortgages, etc."

"I didn't land the account, chief, but I sure got a sweetheart of a cigar out of the visit!"



June 1946

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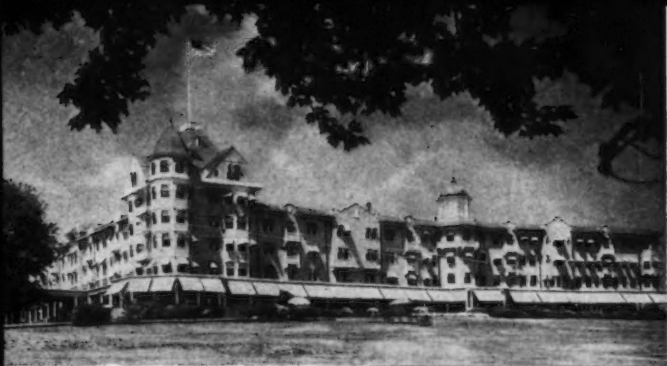
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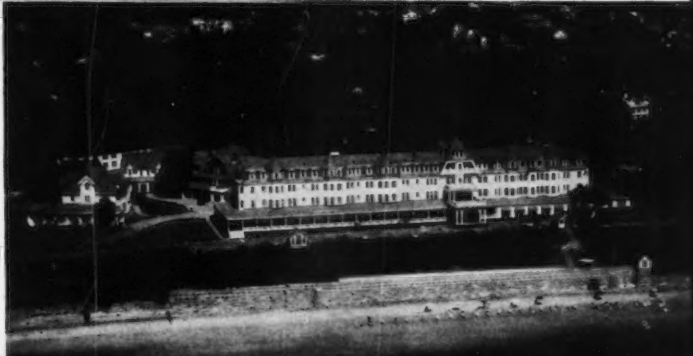
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If your group is 300 or smaller, and if you can meet in June or September, The SAMOSET in Maine and The PRESTON in Massachusetts will be available. They are widely acknowledged New England's finest resort hotels. Both are famous for supremely beautiful oceanfront settings. Both are renowned for superior food, entertainment, appointments, service, sports and meeting facilities — and for a long-established tradition of old-fashioned New England hospitality.

Whichever hotel you choose, the central Convention Bureau of the Samoset and Preston and their affiliated

hotels will take a long, strong step toward making your meeting an outstanding success. Staffed by specialists, the Bureau will render skilled assistance with entertainment programs, attendance promotion, publicity, banquets, special parties — all phases of convention planning and service. Through careful adjustment of the superlative facilities of either hotel to the individual requirements of your organization, we will help you produce a truly memorable meeting — a real "Memory Book" convention! May we give you details?

OSCAR T. JOHNSON, Executive Vice President

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Calling on Your Customers

This "guest editorial" was written for BANKING by a well-known industrial executive and former banker.

ARE YOU, like most other banks, getting ready to renew and expand your representatives' calls on your customer accounts throughout the country, now that travel conditions have eased at least to the extent that political and other priority holders can no longer "bump" your men off a plane out in the sticks? If so, perhaps this would be a good time for you to review and take a questioning look at the selling techniques and habits of your representatives, because many bankers calling upon out-of-town customers are ineffective in the eyes of many business men.

The first essential, that a salesman should know his product, is almost too obvious for comment, yet it is a rare bank caller who can discuss intelligently the policies or even the purposes of his institution's corporate trust, investment, personal loan, escrow, tax or real estate departments, assuming, as is usually the case, that he is a member of the "banking" department. Too often, if a customer shows any particular interest in a specific matter that could be handled by one of these departments, the representative must beg off, promising to have the "experts" look into the matter when he returns to the bank.

A good bank representative should be able to discuss, up to the technical details, at least, the operations and advantages of every major service offered by his bank. Further, he should be alert to offering all of these services. Obtaining or maintaining a good balance is not the whole purpose of his contact. Far from it in these days of low earnings on deposits. Every business firm is a potential or actual customer for government bond transactions, escrow arrangements, pension, corporate or personal trusts, transfer agent or registrar accounts, or even safekeeping services. No customer is going to be offended if you mention that your bank is equipped to handle these for him, and you might even leave him copies of a good brochure describing one or more of the services in which he has expressed an interest.

Closely related to the first, the second essential is that *your man have something to offer your customer in exchange for his time.* The privilege of spending a half-hour or more in idle conversation with the third vice-president of the Fifth National Bank about his difficulties in getting some sleep in the train the night before, whether the customer has seen what's-his-name lately, what is the best way to get the laundry back before leaving town, etc., is scarcely full compensation in itself. If a bank representative cannot or prefers not to discuss specific services of the bank, he could still gain a considerable advantage for himself and his bank by becoming acquainted to a greater-than-average extent with some phase of finance or business of interest to his customer. Among the business man's most prized possessions is the acquaintanceship with the banker who really knows

something about this or that industry, other companies in his industry, investments, national political trends, or some other significant, tangible matter of common interest. It should go without saying, but it doesn't, that the bank representative should have a fair knowledge of his customer's own business, should follow closely at least all public announcements of its progress and financial condition, and should closely acquaint himself with the most recent developments, possibly with the help of his bank's credit or investment departments, before making the call.

ONCE you are in your customer's office, don't forget he has a business to run, too. In other words, get out before he starts shuffling papers from one basket to another. The fact that you have come several hundred or even a few thousand miles for this visit doesn't give you any right to make a day of it, or an evening either, for that matter. This goes back to the point that *if you really have something to say, say it directly and specifically*, and provide the customer with a clear impression of what the bank can do or is doing.

As a further suggestion, let me remind you that *your representative should make certain that he knows upon whom he is calling.* In most businesses there are several officials—the president, the treasurer, the comptroller, the secretary, or some vice-president—in whose hands the decisions affecting the relations with banks may appear to rest. In fact, however, in most companies only one of these has the authority or ability to take decisive action on financial matters, and it may be possible your representative is not calling upon that person. Reporting to this policy official, too, there is often a line or staff assistant who handles many of the administrative details and makes the recommendations that can widely influence the actual amount and types of business being routed to your bank. It might not be a bad idea for your representative to discover who this right-hand man is, and spend a few minutes with him every other visit or so.

Notwithstanding the foregoing observations, business men do look forward to calls from bankers. Talking with bankers offers them an escape from the routine of their own tasks, gives them an opportunity to view and compare notes with the rest of the business community, in addition to the possibility that the bank can be of further assistance in the company's financial problems. Partly because of their diverse contacts throughout many lines of industry, partly because of their inherently conservative and sound judgment in financial affairs, and partly because as a group they are among the average business man's most highly regarded business and social contacts, bankers enjoy an entree and soliciting advantage possessed by probably no other class of representatives calling on customers. With a little more effort and foresight, a little more application to the job at hand, your bank representatives could improve the effectiveness of calling on your customers.

End

BANKING

